**WASTA: The Good, The Bad and The Ugly**

Ameen Ali Talib

Senior Lecturer

School of Business

SIM University, Singapore

ameentalib@unisim.edu.sg

Phone +65-90111271

**WASTA: The Good, The Bad and The Ugly**

Ameen Ali Talib

Senior Lecturer

School of Business

SIM University, Singapore

ameentalib@unisim.edu.sg

**Abstract:**

Wasta is an important determinant of how economic activities are organized and resources are allocated in Middle Eastern societies, yet economists, even those who specialize in work related to the Middle East, have not (sufficiently) addressed the issue of wasta (Barnet et al 2013).

Wasta is a concept that has traditionally been present in (tribal) Middle East for mainly mediation purposes. Wasta has evolved over the time and wasta (objective) has changed from defusing tribal conflicts to acquiring economic wealth. Wasta has a positive side (humanizing the bureaucracy) but also serves as an "affirmative action for the advantaged" which has the effect of entrenching the haves and excluding the have-nots.

**State capture** is the ugly side of Wasta! Figure 4 depicts the situation were Wasta becomes not only an *entrance ticket* to the ’power circle’ but also acts as a barrier to entry. Wasta acts as a gate-keeper. Wasta is used to block entry to those not in support of the power circle incumbents. Those granted entry have to reciprocate with loyalty. The circle becomes filled with family members, friends and cronies. It becomes an Inner circle and as opportunities of entry decline it becomes closed to outsiders.

Barnet et al (2013) addressed possible reasons for the evolution of wasta and posit rationales for its use in these societies. In this paper we put forward possible consequences and hope further research and academic discourse can help us better understand possible and wider consequences.

**WASTA: The Good, The Bad and The Ugly**

Ameen Ali Talib

Senior Lecturer

School of Business

SIM University, Singapore

ameentalib@unisim.edu.sg

Wasta is an important determinant of how economic activities are organized and resources are allocated in Middle Eastern societies, yet economists, even those who specialize in work related to the Middle East, have not (sufficiently) addressed the issue of wasta (Barnet et al 2013). Wasta is a fixture of everyday life in the Middle East. Indeed, as Meles (2007, 16) notes “Wasta [now] has become a right and expectation” in Arab societies.

Much of the discussion of wasta in the current literature characterizes the practice as nepotism or corruption (Loewe et al. 2008 and Mohamed and Hamdy, 2008). However, wasta is not seen, at least not uniformly, as a form of corruption within most Middle Eastern societies. It is embedded in the social fabric of Middle Eastern society and is practiced openly, without apparent shame, remorse or guilt.

Wasta in the workplace often means Nepotism or cronyism. Nepotism is where an employee makes decisions affecting a close relative. Cronyism describes relationships existing among mutual acquaintances in private organizations where business, business information, and social interaction are exchanged among influential personnel. This is often termed crony capitalism.

The social and economic cost of cronyism are paid by society. Those costs are in the form of reduced business opportunity for the majority of the population, reduced competition in the market place, inflated consumer goods prices, reduced economic performance, inefficient business investment cycles, reduced motivation in affected organizations, and the diminution of economically productive activity. Cronyism is self-perpetuating; cronyism then begets a culture of cronyism.

**Wasta in Middle East**

Traditionally, wasta was used as a means of mediation between families to resolve conflict. The head of the family, tribe or clan acted as the waseet (middleman) to mediate and adjudicate within the tribal group and to negotiate points of conflict with other tribal groups. In so doing, the wasta helped solidify and maintain the unity, integrity, and status of the tribal group within the broader society (Al-Ramahi, 2008).

In time, wasta evolved into a means of intercession. Emphasis shifted from preserving and enhancing the status of the tribe to furthering the interests of the individuals who comprise the tribal group. This movement from collective to individual benefit seems to be a relatively modern innovation that occurred as globalization and greater competitiveness in the work environment imposed new stresses on Arab societies (Bellow, 2003).

Wasta is a concept that has traditionally been present in (tribal) Middle East for mainly mediation purposes. Wasta has evolved over the time and wasta (objective) has changed from defusing tribal conflicts to acquiring economic wealth. Wasta has a positive side (humanizing the bureaucracy) but also serves as an "affirmative action for the advantaged" which has the effect of entrenching the haves and excluding the have-nots.

Intermediary wasta has a long and honorable history. In a tribal setting, wasta mediation binds families and communities for peace and well-being in a hostile environment. This face of wasta benefits society as a whole, as well as the parties involved.

Intercessory wasta involves a protagonist intervening on behalf of a client to obtain an advantage for the client - a job, a government document, a tax reduction, admission to a prestigious university. Many individuals, supported by their wasta backers, may be seeking the same benefit. When the seekers for a benefit are many and the opportunities are few, only aspirants with the strongest wasta are successful. Succeeding or failing depends on the power of the wasta more than on the merits of the seekers.

Intercessory wasta can be seen as anti-meritocracy and angers unsuccessful candidates who have outstanding credentials. It can also create an environment that is wasta-dependent and in particular a wasta dependencies among those less capable but have the right connection and/or the wealth to obtain the wasta. Competition for positions and resources increases the importance of intercessory wasta. Inevitably wasta does lead to nepotism and especially family/tribal nepotism and ethnic nepotism.

**Can Wasta be good?**

The question is can nepotism and/or Wasta ever be beneficial? An explanation for wasta existence in Middle East is the tribal nature of society and *Assabiyah.* Some scholars believe *Assabiyah* is a social cohesion which comes from group members’ promises to do something together and to complete their shared tasks to reach the aim or goal. *Assabiyah* is a Arabic term which means societal solidarity or unity and also refers to tribe or clan movement (Mahdy 1957).

Members of a tribe/clan have moral responsibility towards the other members of the clan. Traditionally behavior of clan members (especially among themselves) was influenced by an unwritten code of conduct that is understood by clan members and respected by them. Any clan member who deviates from the code of conduct was frowned upon and brought “shame” to his immediate family. A part of the code of conduct was protecting and helping clan members. Another part is the expected loyalty to the clan and the trust between clan members. Betrayal of the trust was a major infringement of the code of conduct. Society therefore evolved to be communal more than individualist. One was expected to have a sense of duty towards clan members (relatives) and expected loyalty and trust from the clan members.

Owner managed businesses had no moral hazard or ethical issues in deciding who to hire. Furthermore, the business owners tended to perform their social responsibilities (and tribal *Assabiyah)* through their businesses. A business owner is expected to hire his/her relatives. Another aspect of owner managed businesses is the general lack of formal management control processes and the over reliance on control by observation and presence. Owner managers tend to spend long hours at the business overseeing most things and control the business by having presence across the business. By hiring a relative, owners hire a “proxy owner”. Given a lack of a management process, installing employees through wasta can ensure that the business runs smoothly despite the absence of the head of the business; employees will achieve high productivity around a ‘wasta- installed’ employee because they psychologically replace that ‘wasta-installed’ employee with the boss. Staff see the relative as an extension of the owner. The loyalty and trust concept in tribal/clan societies coupled with the tribal code of conduct leads the owner manager to believe they have a trusted loyal employee in the relative and expect the relative to protect the business interests over self-interest. Nepotism, therefore, can very well be conducive to owner managed family firms; due to the element of trust and shared responsibility. Furthermore, family-based recruitment system does not necessarily hinder economic effectiveness. The thriving family firms of East Asia recruit internally, depend on members of the family, and also demand competent performance (Greenhalgh 1988; Kim and Kim 1989; Winckler 1988).

The traditional tribal wasta, the *shaykh*, was a man of honor, whose word was his bond, who would assume responsibility for his acts. Today's wasta is too often a middle-man, treating it as a rent seeking business. Furthermore, penalties for misrepresentation do not exist. The Western scourge of caveat emptor [let the buyer beware!) has crept into an honor-based system.

If we are to apply western or non-Arab concepts to Wasta, we need to relate it to “networking” and Chinese Juanxi (Hutchings and Weir 2006). The west has evolved its own code of conduct/ethics for networking and referrals. It is not uncommon for large western corporations to pay golden handshakes and high packages to attract top management not merely for their knowledge skills but also for their networking contacts. This resonances with the Arab usage of Wasta. However one should not just look to the West for guidance in solving Middle Eastern problems but search the Arab traditions for answers to current problems (Ayubi 1986; El-Taya”b 1986; Wiarda 1983). Turning wasta back to its origins and employing the wasta principle of mediation can generate both effective performance and societal harmony. However the current level of wasta “epidemic” in the Arab world has turned what was once ‘good’ into something that is ‘bad’ and even ‘Ugly’ in many instances.

**The BAD and UGLY face of Wasta**

A good business climate is characterized by low costs and low risks of doing business as well as low barriers to competition. This means that the costs and uncertainties that private firms incur when they interact with the state should be minimized and that all private firms should have equal access to government services and political decision-making. In other words: state-business relations should be efficient and fair. Economic growth is spurred by a social system that prizes fairness and effectiveness - fairness being societally determined; effectiveness governed by the market.

Many would regard “Meritocracy” as the most fair and efficient system; though there has been debate whether meritocracy creates an elite social class. Even where these criticisms are in place; the elite class in a meritocracy based society would (in most cases) be based on merit rather than ‘blood linkages’. In a sense in a meritocratic society the economic capital is achieved through merit and economic capital is transformed into social capital, which then breeds more economic capital. In a society based on “Wasta”, economic capital is derived from social capital; which in many cases are built through political capital and/or blood linkages.

Wasta has no regard to Meritocracy. It favors those who are well connected and marginalizes those with no connection (even if they are competent). The competent marginalized group (those with no connection) have to align themselves with the ‘connected’ group (those with wasta) to succeed and offer their loyalty. It might seem as effective strategy to eradicate wasta excesses from society but present leaders in the Middle East are themselves mainly a product of the wasta system and are wasta oriented; profiting from the wasta system. They have little incentive and/or desire to correct the wasta system.

At the same time, wasta also plays an important role in politics. A small number of well-established businesspeople have very good access to the government as well as to Parliament, which enables them to influence legislation and regulation to their benefit. Many Middle Eastern entrepreneurs occupy high political positions themselves or they have family members or good friends in the government who arrange for a favorable regulatory framework for them. In many Arab families there is often one branch that goes into big business and another branch that goes into politics.

So what is possible consequences of a wasta-based society? one possible outcome is ***not only*** loss of meritocracy but also a loss in the believe in meritocracy and haplessness for the ‘large’ segment of society who are not in the elite *nor*  can afford the ‘rent’ sought by some of the elite; who have turned wasta into a rent-seeking asset.

Wasta in the Public Sector

In the Public sector there is a duty of care to the public interest. Positions of authority are entrusted positions; the duty of care is akin to trustee fiduciary duties. Issues of nepotism and wasta are not in the public interest. These create inner circles and a crony state. This turns social and political capital into economic capital.

Wasta in state-business relations is an abuse of public office and therefore constitutes a form of corruption. In this case, some entrepreneurs are favored over others by the state (by its individual employees) with regards to public services and decisions. From this, we can derive two possible outcomes:

Firstly, we can assume that favoritism makes state-business relations unfair and unpredictable and thereby raises the risks of investors and the barriers to competition. Favoritism implies unequal access to public sector services, licenses, and political decision- making. Entrepreneurs with good connections benefit from this barrier to competition because they can exploit rents.

Likewise, favoritism can distort law and policy-making: entrepreneurs with good connections to parliamentarians and policy-makers can use their influence and lobby for rules that are beneficial only for themselves, while those without connections are not heard.

Secondly, widespread favoritism can induce rent-seeking activities and thereby affect private sector development. Connections become crucial to get licenses and win government tenders, businesspeople have to build up social networks, which in turn raises the costs of their investments. In addition, they use their time and money for improving their social networks rather than their products. This rent-seeking lowers the rate of physical investment and thereby harms the international competitiveness of the private sector.

Since wasta is the "tool" that enables entrepreneurs to extract rents by getting access to decision-makers, it is rational for them to invest time and money in building up wasta instead in investing in efficiency. Wasta becomes a business!

**The ugly side: state capture**

Wasta is the preferential treatment of relatives, friends, neighbors, or other acquaintances. These relations can be established by birth (e.g. between relatives), by shared experience (e.g. between people who went to school together or who live in the same area), or by active social network building.

Reciprocity is very important for wasta, but the person that does a favor for another person does not know when and how the latter will reciprocate it. In many circumstances, the recipient of a favor does not even have to reciprocate to the donor himself. Especially in the context of family networks, he is rather expected to give back what he has received by showing solidarity to any other relative in need, which is a form of "generalized reciprocity.“ Hence supports the continuous practice of wasta.

This is epitomized in the case of “abu Wahhab” as mentioned by Cunnigham and Sarayah (1994):

 “People in his hometown, including his family, cannot comprehend Abu Wahhab's loyalty to formal rules. Many think he was given the Personnel Director position because of his family name, not because he is qualified. He is sabotaging their interests because he should be using his position to extend favors to them. They pity him, and their luck. One of Abu Wahhab's relatives asked Shtayan to help his daughter obtain a teaching position with the Ministry of Education. When Shtayan suggested that the man should go to his relative Abu Wahhab, he lowered his head and murmured, *"Allah gives meat to eat to those who have no teeth,"* meaning that the personnel position is a wonderful blessing, but its occupant, Abu Wahhab, does not acknowledge and use the blessing.”

Intercessory wasta is the societal norm. One uses a government position to take care of relatives so that the favor will be reciprocated by another in the family at one's time of need. Family loyalty serves as insurance. Reciprocity is the basis for social relations; a government position is a resource to be exploited rather than an opportunity to serve one's country and to obtain satisfaction from a job well-done. The societal mind-set goes counter to Abu Wahhab's view of his position. By sticking to the rules Abu Wahhab **is not admired**, and cuts himself off from his family

Social networks that are based on such a generalized reciprocity can foster trust and provide mutual assistance for their members. They are often referred to as social capital and seen as important assets in a society.

It is sometimes even argued that personal networks can improve the efficiency of state-business relations, because they ease the exchange of information and thereby lower transaction costs for all parties concerned. It can be efficient if wasta acts as facilitator and *not barrier* to meritocracy!

Figure 1 depicts the interaction between social capital, economic capital and political capital; each influences the other. Let us call this the “Power Circle”. Normally this is a circle with continuous new feeds as meritocracy is in place and opportunities available and meritocracy is the entry point.

Wasta bypass the meritocracy and competence test. Wasta acts as direct entry gate. Wasta ; via favoritism, cronyism , nepotism or “purchased’ wasta, can give access to the “power circle” (Figure 2). Wasta can help individuals to get business contracts increasing their economic capital, can get people into influential positions and so on.

In a meritocracy system, entrance to the ‘Power circle” is by merit. Religious scholars would have religious capital. The intellectual and educated elite would have educational and/or intellectual capital. Other attributes such as entrepreneurial spirit, hard-work, creativity, aptitude, civic consciousness and so on would gain one economic/social/political capital. In a pure ‘utopian’ meritocracy based society, the elite power circle entrance would be on merit and only on merit. This is depicted in Figure 3.

Most Middle- Eastern societies are wasta-based meritocracy system. The elite would consist of a mixture of wasta-based entrants to the power circle and meritocracy based entrants. The ratio between merit based and wasta based would vary across societies dependent on level of society development and education level. The danger lies when the wasta-based entrants’ proportion expands, limiting the opportunities for merit-based entrants. Under such scenario, the ‘would-be’ meritocracy based entrants will resort to wasta to gain entry. This would then encourage the rent-seeking wasta activities and increase the power of the wasta provider. How ‘powerful’ one’s wasta is becomes more important; eventually **only** those in the ‘power circle’, and at times only a limited number of them, would have the required level of wasta to ‘invite’ new entrants. Wasta then not only becomes a requirement for entry but also becomes a barrier to entry, Wasta can be abused to block entry. Eventually total state capture could exist. This situation occurred in Yemen during the era of the toppled President Ali Abdullah Saleh.

Ali Abdullah Saleh had built the country‘s security apparatus as the bedrock of loyalty to the regime. Key military posts were awarded to members of Saleh‘s tribe (Sanhan), while his close relatives command important positions. Within the Ministry of Defense, Saleh‘s eldest son Ahmed was a colonel in charge of the Republican Guard and special forces units, half brother Gen. Ali Muhsin al-Ahmar was the Commander of the Northwestern Military Zone (in charge of the Sa‘dah campaign), half-brother Brig. Gen. Ali Saleh al-Ahmar was the chief of staff of the military‘s general command, and half-brother Brig. Gen. Mohamed Saleh al-Ahmar was Commander of the Yemeni Air Force. Tribe members commanded the military zones of (then) troublesome Aden and energy-rich Hadhramout. President Saleh‘s nephews occupied important positions in the Ministry of Interior (including CSF), Presidential Guard, and the cabinet.

A situation as Saleh’s Yemen is a **state capture.** This is the ugly side of Wasta! Figure 4 depicts the situation were Wasta becomes not only an *entrance ticket* to the ’power circle’ but also acts as a barrier to entry. Wasta acts as a gate-keeper. Wasta is used to block entry to those not in support of the power circle incumbents. Those granted entry have to reciprocate with loyalty.

The circle becomes filled with family members, friends and cronies. It becomes an Inner circle and as opportunities of entry decline it becomes closed to outsiders. Then the ‘outsiders’ create inner circle outside of mainstream. The strength of this circle reflects strength of political opposition. The ‘captured-state’ regime uses the *mabahath Amn Doulah* (the secret police unit or the security apparatus) and the emergency laws to weaken the political threat of the informal circle.

**Concluding remarks**

The family members and cronies in the ‘power circle’ use their influence (and wasta) to expand their political, economic and social capital. Wasta is used for key employments and business deals. The reciprocal nature of wasta ensures continued loyalty. Wasta becomes the entry point (in place of meritocracy) and the gate-keeper to the circle of power.

As long as there are enough opportunities and wasta is contained it may not become a major issue as opportunities exist for entry based on meritocracy; the pie is shared. However as the regime head of state stays in power for long time (like many Arab states before the *Arab Spring*) the number of entries gained through wasta expands through the leader and his inner circle. Gradually the opportunities for meritocracy shrink and competition for those with no wasta becomes difficult. Eventually even those with merit seek wasta for entry in exchange for loyalty creating cronies with merit.

Barnet et al (2013) addressed possible reasons for the evolution of wasta and posit rationales for its use in these societies. In this paper we put forward possible consequences and hope further research and academic discourse can help us better understand possible and wider consequences.

**References**

Al–Ramahi, Aseel. (2008), “Wasta in Jordan: A Distinct Feature of (and Benefits for) Middle Eastern Society”, Arab Law Quarterly, 22: 35 – 62

Ayubi, N. (1986), “Bureaucratization as Development: Administrative Development and Development Administration in the Arab World’, International Review of Administrative Sciences 52:201-222.

Barnett, A., Yandle, B. and Naufal, G. (2013), “Regulation, Trust, and Cronyism in Middle Eastern Societies: The Simple Economics of Wasta”, Discussion Paper No. 7201 February 2013 , IZA DP No. 7201.

Bellow, A. (2003), “ In Praise of Nepotism: A Natural History”, Westminster, MD: Doubleday Publishing

Cunningham, Robert B. and Sarayrah, Yasin K. (1994), “Taming wasta to achieve development”, Arab Studies Quarterly (ASQ), summer 1994.

El-Tayab, H. (1986), “Administrative Reform in the Arab Countries: Between the Original and Contemporary” in Al-Saign, N. ed. Administrative Reform in the Arab Countries: Readings Amman: Arab Organization of Administrative Sciences; 116-165

Greenhalgh, S. (1988), “Families and networks in Taiwan's Economic Development” in Winnckler, E. and Greenhalgh, S. Contending Approaches to the Political Economy of Taiwan Armonk, New York: M. E. Sharpe, Inc; 224-245

Hutchings, K. and Weir, D. (2006), “Guanxi and Wasta: A Comparison”, Thunderbird International Business Review, 48(1): 141-156

Kim, K. and Kim, S. (1989), “Kinship Group and Patrilineal Executives in a Developing Nation”, Journal of Developing Areas 24/1: 27-46

Loewe, M, and Blume, J., & Speer, J. (2008), “ How Favoritism Affects the Business Climate: Empirical Evidence from Jordan”, Middle East Journal, 62(2): 259-276

Mahdi, M. (1957), “Ibn Khaldoun’s Philosophy of History”*,* London: George Allen and Unwin ltd.

Meles, M. (2007), “Understanding People’s attitude towards the Use of Wasta”, Cranfield School of Management. Master of Science Thesis

Mohamed, A. and Hamdy, H. (2008), “The Stigma of Wasta: The Effect of Wasta on Perceived Competence and Morality”, German University in Cairo, Working Paper Series (No 5)

Wiarda, H. (1983), “Toward a Non-ethnocentric Theory of Development”, Journal of The Developing Areas. 17: 433-452

Winckler, E. (1988), “Elite Political Struggle, 1945-1985” in Winckler, E. and Greenhalgh, S. Contending Approaches to the Political Economy of Taiwan Armonk, New York: M. E. Sharpe, Inc; 151-171

Figure 1



Figure 2



Figure 3



Figure 4

