

Standards for State-building

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Paper: <http://home.uchicago.edu/~rmyerson/research/std4sb.pdf>

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Related paper: "Rethinking the fundamentals of state-building" PRISM 2(2):91-100 (2011). <http://home.uchicago.edu/~rmyerson/research/prism10.pdf>

A fundamental question of social theory

On developmental path from anarchy to prosperity, what comes first?

A timeless fundamental question of social science.

An immediate practical concern of interveners in a state-building emergency.

A charter* for custodians of democratic state-building:

- not to endorse "invasions to bring democracy," *which always bring much harm and only rarely can bring some good to the general population,*
- but to set standards for holding interveners accountable after an invasion.

Can democratic state-building be distinguished from imperialist domination?

Elections are not enough.

Development economics is uncomfortably related to state-building.

Political leaders build broad support from reputations for providing public goods, so development assistance can be hard to separate from political assistance.

When root causes of underdevelopment are political, a program for economic development cannot succeed without inducing some political change.

Is democratic state-building even possible?

A nondemocratic state can become democratic.

Conquerors have established nondemocratic political stability throughout history.

Why is democratic state-building harder? (Philippines 1900 vs Afghanistan 2002)

*In sense of Paul Collier.

Need for general principles of democratic state-building

Many argue: "No cookie-cutter one-size-fits-all plan for political development."

But **local political experts are never neutral.**

Most prominent indigenous supporters of an intervention may expect central positions of power, and thus may tend to advocate a more centralized state.

To avoid such biases, interveners must rely on some **general principles** underlying politics and government in all societies.

Summary of suggested principles:

*With the broadest possible **multinational support**, occupying powers should foster political reconstruction based on two pillars:
a **multiparty national assembly and elected local councils**,
each funded with a **transparent budget**,
because democratic development depends on an ample **supply of leaders** with good reputations for using public funds responsibly in local and national politics.*

Points of perspective from economic theory

1. Schelling's **focal-point effect** shows how rational behavior can be influenced by cultural perceptions of legitimate authority within recognized boundaries.
The need to coordinate makes public perception a compelling social force, and so *the status of a recognized leader can become a self-confirming social fact.*
2. **Agency theory** teaches the importance of long-term incentives in organizations.
Who guarantees that promised incentive rewards (*moral-hazard rents*) will be paid?
Top leaders with an ownership stake in the organization (Alchian Demsetz '72).
Agents in nonpolitical organizations may also look to courts of the state,
but not in political organizations that exist to take power in the state itself.
Political leaders are the ultimate guarantors of incentive systems in their society.
Powerful agents must trust them in the allocation of moral-hazard rents.
3. Reputational equilibria of **repeated games**: individuals can be strongly motivated by long-term benefits of maintaining a good relationship with others.
Key to successful leadership: a reputation for reliably rewarding loyal service.
Fear of losing it deters a leaders' temptation to deny promised rewards.
4. Profit levels in **oligopolistic markets** depend on barriers to entry.
Effectiveness of democratic competition depends on reducing political entry barriers,
enabling new leaders to build reputations for cost-effective public service.

Need for standards: interveners can manipulate democratic forms

Why are **elections not enough** to verify that leaders are indigenously selected?

Interim control by foreign forces can be used to **install an interim leader** who can develop the first national patronage network since the collapse of the old regime.

Voters can then be asked to ratify a constitution, drafted under this interim leader, with no specified alternative but the implicit threat of chaos.

This **constitution can be written to concentrate power** in an office for which the interim leader will be the strongest candidate, generally the presidency.

A national **presidential election demands that voters coordinate** on a few candidates, and the interim leader naturally can become a focal contender.

Against diffuse opposition that lacks access to patronage, and controlling the electoral process, the interim leader can be acclaimed as an elected president.

But his position will really be owed to the foreigners who installed him.

By the **self-perpetuating nature of leadership**, foreigners' political intervention can have lasting effects, unless people generally reject the intervention's legitimacy.

A society's norms for identifying its authoritative leaders are its core cultural asset. Successful standards for democratic state-building may make it less unacceptable.

Elements of democratic state-building

To be able to mobilize a network of active supporters, any **leader** needs a reputation for reliably rewarding good service (*gratitude*).

Fear of losing it deters a leaders' temptation to deny promised long-term rewards.

My *APSR* 2008: A strong leader is surrounded by courtiers wary of ingratitude.

Leader's primary law (*personal constitution*): do nothing that could lose their trust.

Government **agencies and security forces** and other pillars of the state must develop under political leadership, which sustains their incentive system.

A national government depends on broad acceptance of its authority by local leaders throughout the nation. (**legitimacy**)

In long run, local leadership also depends on national recognition and support.

In democracy, leaders should compete for popular approval by offering better public service for a lower tax price, taking less corrupt profit.

But voters may re-elect a corrupt incumbent if they think all others would be worse.

Competitive democracy depends on a plentiful supply of leaders who have good reputations for using public funds responsibly. (My *QJPS* 2006.)

Those who compete in any system do not want it more competitive.

Established leaders have an **interest in higher political entry barriers**.

Entry barriers are maximal in dictatorships.

Goal: create opportunities for new democratic leadership

To develop a stronger democratic system, the essential goal must be to develop the supply of democratic leaders who can compete meaningfully in elections.

The key political goal is to **increase the national supply of leaders who have good reputations for spending public funds responsibly** to provide public services (not just to provide patronage benefits to their loyal supporters).

Such reputations can only be developed with opportunities to spend public funds.

Such opportunities are multiplied when **some share of the public budget is devolved to autonomously elected local governments.** (My *QJPS* 2006.)

(Parliamentary coalition governments also may distribute budgetary authority to effectively autonomous political leaders.)

The distribution of funds among different branches of government needs reliable public accounting under the **finance ministry.** (Ghani Lockhart 2008)

But letting local councils exercise some autonomous authority can reduce entry barriers into national politics, so **national leaders may prefer centralization.**

Centralization also lets president allocate moral-hazard rents of local government.

Loyal supporters may hope to be appointed mayor or governor.

Vital interactions between local and national politics

Effectiveness of local government can suffer when positions of local authority become rewards in the national patronage system that is based in the capital. Local councils can use more local information in supervising police and other local public services.

I've argued: *local democracy can make national politics more competitive*, as successful local leaders can prove qualifications to compete for higher office.

Conversely: *multiparty national politics can make local politics more competitive*, as rival national parties can sponsor competition for unpopular local bosses.

Effective democracy depends on interactions between local and national politics.

Democratic political reconstruction should be based on two pillars:
a multiparty national assembly, and elected local councils.

Mitigating interveners' influence in installing national leaders

An intervention should not be a partition of the nation.

A national government must be constituted, and foreign interveners may need to supervise the **initial selection of a cabinet** that can take responsibility for it.

This initial selection can be made reversible by allowing a majority in a broader assembly to replace the cabinet at any time, under a **parliamentary system**.

The formation of the assembly may also need supervision by interveners.

Multinational oversight can ensure that representatives of many groups are brought into an assembly, but not into a cabinet of ministers who must work together.

Local elections are likely to give authority to different groups in different districts.

So **representation from local councils** can broaden the national assembly.

In an established federal system, a reputation for working with local leaders within the accepted division of powers is essential for building a wide national coalition.

Interveners can help to establish a durable federal system by encouraging national leaders to develop such reputations.

A charter for custodians of democratic state-building:

1. With the broadest possible **multinational political supervision**, the intervening powers should sponsor a broadly representative interim national assembly.
2. National executive ministers in the transitional period should be responsible to the assembly, in a **parliamentary system** with constructive no-confidence votes.
3. With the participation of parties represented in the interim assembly, **local elections** should choose local councils in districts throughout the nation.
4. Once these local councils are in place, the transitional national assembly should be reconstituted to include **representatives from the local councils**.
5. Funds must be **allocated transparently** to local councils and national executive. Foreign donors should work with the national finance ministry to give the people a full accounting of the funds spent at all levels of government.
6. In the commission to draft a permanent constitution, a minority of 1/3 or more should be able to report an **alternative draft** for the national ratification vote.

Decentralization can reduce the cost of state-building

Insurgents can recruit freely in communities where no one has any stake in the state
Decentralization of power can help a state-building intervention to succeed.
Centralization may be in the interests of the national leaders, not the interveners.

The success of the **Sunni Awakening in Anbar province** in 2006 depended on the federal structure of Iraq's constitution.

Awakening leaders anticipated that cooperation with Americans would position them well for gains in Anbar's provincial government in the 2009 provincial elections. Imagine how different their position would have been if Iraq instead had a centralized presidential regime like that of Afghanistan today.

Promises from Americans could not have given the Sunni sheiks any real reason to risk their lives in defending a political system that had no place for them.

NATO forces in **Afghanistan** found many districts where nobody felt any political stake in the centralized presidential regime. (...contrast mullahs under Taliban)

Carter Malkasian in *War Comes to Garmser (Helmand)* describes a successful counterinsurgency strategy based on offering authority to selected local leaders. But with no constitutionally protected local autonomy, political manipulations in the capital could regularly undo the gains.

David Galula (1964): Build a political machine from the population upward.

Nondemocratic decentralization in imperial state-building

When first establishing rule in India (& after 1857 Mutiny), the British empire granted local power and privileges to local agents called **zamindars**.

Holding local power as a permanent property right, zamindars became a class of local leaders with a vested interest in the regime.

The effectiveness of their feudal power proved remarkably durable.

But 19th-century reformers saw that large rents taken by feudal zamindars were a costly political expense for India and the empire.

Long after independence, Banerjee-Iyer (2005) find lower agricultural productivity and higher infant mortality in zamindar regions.

In the Philippines 1899-1902, American commanders could similarly offer local power to collaborating local elites.

Feudalism can help to establish a stable political regime, but it can also have serious long-term economics costs.

How much of global underdevelopment has resulted from such strategies of traditional and colonial state-building?

Decentralization has a long history in England and America

The primary institution of medieval English government: the **Exchequer**, a court for public accounting of transactions between national and provincial governments.

Next great institutional development (1300), **Parliament**, was a national political forum for local leaders who were responsible for taxation.

In 1700s, **turnpike trusts** under autonomous local governments made England's roads best in the world, setting the stage for the industrial revolution.

American colonial governments included locally elected legislatures, to encourage English settlers to come to America and offer loyal service in local militias.

The Declaration of Independence claimed sovereignty for 13 provincial assemblies.

The first transitional government of USA was characterized by decentralization and parliamentary responsibility (**Articles of Confederation**, 1776-1788).

In 1776, every community had at least one local leader, its representative in the provincial assembly, who had a vested interest in **defending the new regime**.

The **establishment of competitive national democracy** after 1789 depended on the supply of candidates with proven records of public service in the 13 provinces.

With all its faults, America's Articles of Confederation should be recognized as an example of a good transitional regime for democratic state-building.

Broader implications for economic development assistance

The key to democratic development may be to increase the supply of leaders with reputations for using public funds responsibly to provide public services, and not just to give jobs to their supporters.

For this goal, the essential measure of success for any development project is how it enhances the reputations of the political leaders who direct it.

Outputs of public goods count towards this political end.

All public services should be directed by indigenous leaders, but they should include both national and autonomous local leaders.

To cultivate leadership at all levels, foreign assistance should be distributed among national and local governments, even to minority parties and other local NGOs.

The promise of funds for the national government (largest share) should be conditioned on the right to also fund such **auxiliary public service agencies**.

Foreign donors should insist on **transparent public accounting** for all funds, both by the donors and by the national finance ministry.

This accounting should be to the local population, who must be able to learn what their leaders have spent, and what this spending has achieved.

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