Xenophon's portrayed Cyrus as establishing the Persian Empire on **one essential quality of leadership:** a reputation for reliably rewarding good service.

*When at dinner with his daughter and [her son] Cyrus, Astyages [the King of Media] wished the boy to dine as pleasantly as possible. He thus put before him fancy side dishes and all sorts of sauces and meats.*

*Astyages said, "Does it not seem to you that this dinner is much finer than among the Persians?" To this Cyrus answered, "No, grandfather, for the road to satisfaction is much more simple and direct among us [Persians] than among you [Medes]."

*Astyages said, "Feast at least upon these meats, so that you may go home a vigorous youth." Cyrus said, "Are you giving me all this meat, grandfather, to use however I want?" "Yes, my child, by Zeus I am," he said.*

*Then Cyrus, taking the meat, distributed it to his grandfather's servants and said to each, "This is for you, because you teach me to ride with enthusiasm; for you, because you gave me a javelin; for you, because you serve my grandfather nobly; for you, because you honor my mother." He proceeded like this until he had distributed all the meat that he received.*  
[Xenophon, *Education of Cyrus*, c. 370 BCE.]

My APSR 2008: In negotiation-proof equilibria of sequential contests for power, a contender cannot credibly recruit any supporters without establishing a court where they could jointly depose him if he lost their trust by mistreating any one of them.
The **Stag Hunt** game: payoffs for players 1 & 2 depend on their actions as follows:

<table>
<thead>
<tr>
<th></th>
<th>2 hunts stag</th>
<th>2 hunts hares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 hunts stag</td>
<td>5, 5</td>
<td>0, 4</td>
</tr>
<tr>
<td>1 hunts hares</td>
<td>4, 0</td>
<td>2, 2</td>
</tr>
</tbody>
</table>

A Nash equilibrium is a complete prediction, specifying a strategy for each player, such that each player would find it optimal to act as predicted if the others were expected to act as predicted. A complete prediction can be generally believed and rationally fulfilled only if it is a Nash equilibrium.

Here (1 hunts stag, 2 hunts stag) is a Nash eqm, yielding payoffs (5,5).

But (1 hunts hares, 2 hunts hares) is also a Nash eqm, yielding payoffs (2,2). People playing such a bad equilibrium have a **social problem**, a bad relationship, which can they only escape with coordination, leadership.

<table>
<thead>
<tr>
<th></th>
<th>2 hunts stag</th>
<th>2 hunts hares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 hunts stag</td>
<td>5, 5</td>
<td>0, 6</td>
</tr>
<tr>
<td>1 hunts hares</td>
<td>6, 0</td>
<td>2, 2</td>
</tr>
</tbody>
</table>

*only a bad eqm here.*
Herodotus's story about the initial establishment of a state:

_Deioces had always been a man of note, and now he set himself to practice justice ever more and more keenly. The Medes in his own village, seeing the manner of the man's life, chose him to be a judge among them. And he, since it was power he was courting, was always straight and just. Indeed, people in other villages learned that Deioces was the one man for judging according to the rule of right, and at last they would entrust their suits to none but him._

_Deioces came to realize that now everything hung on himself. Whereupon he refused to sit as judge anymore and said he would serve no longer. So robbery and lawlessness grew even more in the villages than before._

_The Medes all came to a meeting place, and they persuaded one another to be ruled by a king. Then at once the question was proposed as to whom to make king. Deioces was so much in everyone's mouth that all ended by agreeing that he should be their king._

_He bade them to build him houses worthy of royalty and to strengthen him with a bodyguard. He compelled the Medes to make one great fortress. When he had ordered these matters and had strengthened himself in royal power, he was very exact in his observance of justice._

[Herodotus, _The Histories_, c. 440 BCE.]
Consider an island where every day different matched pairs play the following rival-claimants game in various places on the island:

<table>
<thead>
<tr>
<th></th>
<th>2 claims</th>
<th>2 defers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 claims</td>
<td>-1, -1</td>
<td>9, 0</td>
</tr>
<tr>
<td>1 defers</td>
<td>0, 9</td>
<td>0, 0</td>
</tr>
</tbody>
</table>

Nash equilibria:
(1 claims, 2 defers) → \((u_1,u_2) = (9,0)\),
(1 defers, 2 claims) → \((u_1,u_2) = (0,9)\),
each claims with independent probability \(9/10\) → each \(E_{u_i} = 0 = 0.9 \times -1 + 0.1 \times 9\).
They play the first equilibrium \((9,0)\) when player 1 is recognized as owner here.

**Schelling's focal point effect**: any cultural or environmental factor that focuses people's attention on one Nash equilibrium can generate expectations that people will behave as this equilibrium predicts, so that it becomes rational for everyone to fulfill this prediction.

Social equilibria: anarchy; traditional ownership, legislation of ownership principles; focal arbitration by a recognized leader (duly elected, with limited authority); divination.

[Connection with model of contests for power: Rents from focal arbitration provide resources to reward those who supported the ruler in the contest for power.]
When warfare for conquest was tolerated by the international community, weakly governed areas were regularly eliminated by conquest, and in this way the strong nation-states of Europe extended their political domain across the globe.

A proliferation of weak and failed states has become possible because of the relative success of international norms against territorial conquest and imperialism.

We use "Westphalian" to describe the idea of a global system in which the inhabited world is partitioned into states, each of which has a national government which is sovereign within its territory and represents its people in international relations. But the 1648 Peace of Westphalia actually dealt with a federal allocation of power between the Emperor and the principalities within the Empire of Germany.
Legitimacy:
By divine right? (Divination in rival-claimants games.)
By social recognition itself?
Lake p24: "Since legitimacy is a social rather than an individual attribute, its normative status follows rather than precedes its social acceptance."
Hume 1748 observed that general public opinion may be the only standard for questions of morals, unlike other areas of philosophical inquiry, because the fundamental basis of social morals is in people's need to coordinate with each other.
Schelling's theory of the imperative to defend recognized boundaries.
"Legitimate use of force" could be taken to mean "ability to use force against people without stimulating their expectation that they need to retaliate or lose respect for their rights in other situations (either because they have no such rights or because they are confident of authority's future restraint)."
Perhaps we should define "legitimate authority" as being "lawful" in the sense of "bound by law", that is, having recognized power conditionally on exercising this power only within certain generally accepted bounds of law.
Lake p28-32: Individuals who have invested in regime-specific assets and relationships acquire a vested interest in supporting the regime's legitimacy. Trusted supporters (servants and companions) of magnates of the realm. Elected members of a legislative assembly acquire a vested interest in democracy.
Tillyesque development of Witan assembly under Alfred's grandson Athelstan (924).
Feudal restructuring under William I (1066).
Court of the Exchequer from Henry I (to 1135), regulating sheriffs (shire governors).
Development of English common law under Henry II after civil war (1154-1189),
with local juries deciding facts for appointed judges and sheriffs.
Assembly needed to vote taxation for the ransom of Richard I (1194).
John (1199-1216) accepts payment from some shires for rights to have local sheriffs;
to settle dispute with magnates, he accepts Magna Carta: general taxes to be levied
only with common counsel of the realm (meetings of summoned lords and bishops).
Under Henry III (1216-1272), great lords refuse more taxes; pressed to raise other
revenues, sheriffs expand fees for absence from royal courts, judges in General Eyre
claim new rents and revenues for crown.
Rebellion of magnates (including Simon de Montfort) 1258-1264, first parliaments
with representatives of shire landowners and town councils.
Institutionalization of Parliament under Edward I.
Role of Parliament in deposing Edward II.
Role of Parliament in local government reform and financing invasion of France
under Edward III (1327-1377).
Court of the Exchequer: vital institution of English government
Richard FitzNigel's *Dialogue of the Exchequer* (c. 1180):

"Why is the Exchequer so called? ...Because the table resembles a checker board... Moreover, just as a battle between two sides takes place on a checker board, so here too a struggle takes place, and battle is joined chiefly between two persons, namely the Treasurer and the Sheriff [Governor] who sits to render account, while the other officials sit by to watch and judge the proceedings."
Toward a general theory of the state based on analysis, not just European history.

*Secret History of Mongols*: Why does fighting require aristocratic leadership? Leaders as specialists in fighting, coordinators in battle, reliable paymasters.

Institutions for elite law: the prince's court, Telepinu proclamation (1500BCE), the English Exchequer from 1100s.

Institutions to broaden the circle: English common law (from 1158), Chinese civil service examinations (from 960).

Comparison of roles of the "gentry" in English and Chinese traditional systems: parliamentary representation from 1258 in England, Huang Zhongxi's ideas of 1663. Comparison of roles of town councils & rural gentry in assemblies of Spain, Poland, and England around 1500.
The strength of American federal democracy
Institutions of local self-government were introduced from 1620 to induce English settlers to come to America and to offer loyal service in local militias. 1677: reform of oligarchic government in Virginia: imperial governors to work with a locally elected representative assembly (Berkeley, Bacon, Jeffreys). 1757: Pitt treated American provinces as allies instead of imperial subordinates. 1776: Declaration of Independence by Congress of delegates from 13 provincial assemblies. 1787: Northwest Ordinance plans expansion of decentralized federal system. 1788: Constitution to establish effective federal government with limits on its power. Salience of questions about "the proper division of local from federal authority" in American political debate from Lincoln's Cooper Union speech (1860) to Obamacare.

Advantages of federal democracy:
1. Strengthening the state by recruiting local support for the political system (in Revolution from 1776, in California from 1848), incorporating immigrants.
2. Strengthening national democratic competition by supplying candidates with proven records of public service in locally elected offices. (More local corruption, less national corruption.)
3. Improving accountability in local provision of public goods and property protection.
In contrast, the **French Revolution** "declared itself the enemy of royalty and of provincial institutions... Its tendency was at once to republicanize and to centralize" (DeTocqueville 1835). Local officials could not tax or borrow without approval of the National Assembly. Unchecked after execution of the king, the National Assembly turned toward tyranny (Terror 1793-4).

Decentralization inconvenient for national leaders, governorships as valued rewards. Disputes about division between local and federal authority require negotiation. Problems of separatism in large provinces.

Stability of democratic decentralization when locally elected mayors and governor hold local power (Kenya 2013).
Colonialism and feudalism elsewhere: local autonomy without democracy.
In early colonial India, the British granted local power as property to local zamindars, who then had a vested interest in the regime. Effectiveness of their feudal power was remarkably durable. Long after independence, Banerjee-Iyer (2005) find lower agricultural productivity and higher infant mortality in zamindar regions. Feudalism can help to establish a stable political regime, but it can also have serious long-term economics costs. How much global poverty has resulted from such strategies of traditional and colonial state-building?

Decentralization by tolerance of diversity: local justice from leaders of castes and ethno-religious minorities in India and Middle East. (Compare Europe, China.) Legacy of the Ottoman Empire. Linguistic unity? France became monolingual in Third Republic (>1871). Do you want to be most fluent in the language of your home village or the capital? Local identity provides vital protection to people who cannot rely on national law.
"In England, a lease for life of forty shillings a year value is a freehold, and entitles the lessee to vote for a member of parliament; and as a great part of the yeomanry have freeholds of this kind, the whole order becomes respectable to their landlords on account of the political consideration which this gives them. There is, I believe, nowhere in Europe, except in England, any instance of the tenant building upon the land of which he had no lease, and trusting that the honour of his landlord would take no advantage of so important an improvement. Those laws and customs so favourable to the yeomanry have perhaps contributed more to the present grandeur of England than all their boasted regulations of commerce taken together."

Osagha (2007): "Weak institutions, poverty, social inequalities, corruption, civil strife, armed conflicts, and civil war are not original conditions, but are rooted in specific historical contexts. It is essential to understand both the external and internal factors of fragility if such states are to get the assistance and empowerment that they need - not only for the benefit of their impoverished citizens, but also for the sake of global peace, prosperity, and security. Ultimately, it is the citizens of the countries concerned who are responsible for determining when states are no longer fragile - not 'benevolent' donors and the international community, whose prime motivation for interventions supposedly to strengthen the state is to ensure that fragile states find their 'rightful' places in the hegemonic global order."

The history of colonialism cannot be erased now. But the international community may be weakening states today (1) by the giving an internationally recognized ruler the power to regulate international aid and trade, which then reduces the ruler's need for domestic support, and (2) by different nations supporting different rivals for power (as happened in Cold War rivalries).

In Africa, local accountability of local leaders was reduced when chiefs depended on a colonial magistrate's certification instead of a network of local supporters. Traditional land tenure and tribal rivalry in Africa (Boone 2009). Land reform and the popular basis for judicial independence.
Ghani-Lockhart: "The largest adverse impact of the aid system has been the undermining of a country's budget as a central instrument of policy." (p 100) The budget of the recipient country is undermined when projects are funded through parallel systems, implemented by NGOs agencies, and supervised by foreign donors. Donors may outbid the host government for the nation's scarce administrative talent.

The national Finance Ministry ability to distribute funds reliably, with appropriate controls and auditing, can be essential for the fiscal basis of political decentralization. (English local government developed 1250-1340 after the Exchequer 1100-1180.) The advantages of decentralization all depend on local governments having hard budget constraints.

Donors rarely offer any accounting to citizens of the recipient country for the funds which are spent allegedly on their behalf. Accountability of public spending is of the essence in development! **The key to democratic development in a nation is to increase its supply of leaders with good reputations for spending public funds responsibly in the public interest.**

The National Solidarity Project in Afghanistan.  
[See also Jennifer Brick Murtazashvili, *Informal Order and the State in Afghanistan*, Cambridge (2016), chapter 3.]
District Officers formed the essential backbone of **British colonial rule** (supervised by a senior Provincial Commissioner, rotating through Governor's secretariat). Frederick Lugard (1922) listed 3 principles of colonial administration: **decentralization** (delegating wide authority to DO), **continuity** (DOs reporting all decisions to provincial supervisor & secretariat), **co-operation** (sharing benefits of power in an inclusive coalition for local governance). Primary goal: establish local leadership that can collect taxes, manage budgets.

Margery Perham (1937) argued that, to prepare people for self-government, indigenous local leaders should get more autonomous responsibilities, but also more public accountability, and then they should be encouraged to federate.

"There is, however, one branch into which Africans should not enter, and that is the Administrative Service [DOs]. This should aim at being increasingly advisory in its functions. It should be regarded as the temporary scaffolding round the growing structure of native self-government. African energies should be incorporated into the structure: to build them into the scaffolding would be to create a vested interest which would make its demolition at the appropriate time very difficult."

The line between supporting local political development and controlling it is thin!

In transition to independence, forms of traditional local leadership (accountable only to the DO) were seen as obsolete institutions that should be allowed to wither. Instead, foundations were laid for new unfamiliar institutions of a centralized state, supported by foreign aid, with a centrally directed team of indigenous DOs.
When people participate in transactions expecting that others will act appropriately, the need to give people incentives for such appropriate actions is called **moral hazard**. Moral hazard is essential in establishing an effective state, where people must be able to rely on government officials acting in accord with the law. Written records are used for monitoring bureaucratic agents to reduce moral hazard. Abuse of power in subjective policy-making is harder to monitor. When abuse of power cannot be reliably detected and punished, profits of corruption must be less than expected long-run rewards for good behavior: **moral-hazard rents**. Political leaders are ultimately responsible for the allocation of moral-hazard rents in government. (Recall *Education of Cyrus*.)

**Model:** Each year, a magistrate can be assigned responsibility \( r \) such that \( 0 \leq r \leq R \). In any year with responsibility \( r \), abuse of power yields corrupt benefits worth \( rC \) to a magistrate, but the such corruption increases the probability of a crisis from \( p \) to \( q \). Corruption is hidden, but crises are observable. (Here \( C > 0 \), \( q > p \geq 0 \).) A magistrate can have a career of up to \( T \) years, but the magistrate discounts future payments by an annual discount factor of \( 1/(1+i) \) each year. (\( T \geq 1 \), \( i \geq 0 \).) Corruption can be deterred by an incentive plan where the magistrate's responsibility in year \( t \) in \( \{1,2,\ldots,T\} \) will be \( r_t = R((1-p)/(1+i))^{T-t} \) as long as he has never caused a crisis (but \( r_t=0 \) if he ever had a crisis in his area of responsibility), and he will get a retirement bonus worth \( B = RC/(q-p) \) at the end of year \( T \) if he never had a crisis. The credibility of this promised reward will depend on political leadership.
Fearon-Laitin 2004. A primary factor for insurgency is state weakness. So outside of war between two nations, peace-building inevitably entails state-building, which has caused mission creep for PKOs.

Modern trusteeship is largely multilateral and time-limited, in contrast with old imperialists' monopolized and indefinite-duration control. The Brahimi report (2000) found that UN peace-keeping operations have had vague mandates, insufficient resource commitments, inefficient lack of coordination in planning and management.

State-building interventions must be coordinated by either by a nation that has special interests in this mission or by an international institution that has developed some state-building capacity (the latter does not yet exist).

The problem of security welfare states: National leaders of a supported state may fear that investing in local capacity for self-governance would (1) allow a reduction in foreign support, and (2) empower local leaders who could become rivals for power.
Lake 2016: State-builder's dilemma
The international system is a decentralized mechanism for controlling violence. International state-building interventions violate the Westphalian principle of international respect for national political sovereignty, but such interventions seem necessary when failed states create ill-governed gaps in the international order. To contain violations of sovereignty, interventions should be strictly limited in time, but short-term coercion may require more force.

In the absence of standing international forces, some nation must take the lead in supplying and managing an intervention, and offers to lead will only come from nations with particular interests in the recipient's political development. But these interests will cause such interveners to influence and constrain the supported leaders in ways that reduce these leaders' ability to build a strong base of internal support and establish independent legitimacy. (Loyalty versus legitimacy.)

*Iraq*: US interests prevented appropriate conditionality of aid (no loyal alternatives?).

*Somalia*: Harm caused by donors employing different groups to protect aid shipments. Compare state-building interventions in *W. Germany & E. Germany* after 1945.
Gerald Knaus criticizes 3 different conceptual approaches to state-building, which he calls the **planning school**, the **liberal imperialism school**, and the **futility school**. (For planning, see Dobbins et al, "Beginner's Guide to Nation-Building," 2007.) Knaus recommends a *principled incremental* approach, which is based on an understanding that interveners can support positive political change in a nation, but only by working with political leaders there, by encouraging political deals that help to build a peaceful democratic state. From this perspective, the intervention's goals at any point in time must be limited to what local allies are prepared to do, and should not be expanded to impress constituencies in Washington.

Rory Stewart emphasizes the importance of local knowledge in state-building, contrasting the level of local commitment that was expected of colonial state-builders in the 19th century and what is expected of democratic state-builders today. If one tried instead to assume that every nation's politics is totally unique, then a strategy for state-building in any nation would have to be directed by the nation's best political experts who are willing to cooperate with the intervention. But such individuals are not neutral observers. The prominent politically-active citizens who are most eager to guide an intervention may be connected with leaders of the supported regime and so may have biased interests in centralization of power. (See also the "wise warnings" section in my "How to prepare for state-building" <https://home.uchicago.edu/~rmyerson/research/prepare4sb.pdf>.)
**Giustozzi 2011:** Agencies of the state, such as the army, may themselves pose threats to state leaders who still have only limited ability to marshal widespread public support, hence agency manipulation and even weakening the same state agencies. In Afghanistan, key figures in the Ministry of Defense managed to maintain influence over appointments and establish factional networks within the army. The chain of command was severely disrupted and meritocratic considerations applied only up to a certain point in promotions and appointments. (Other control techniques: ethnic ties, small force of loyalists, political commissars from a strong party.)

**Girod 2012:** Increasing aid fosters development after civil war only when two conditions are both met: (1) when the aid recipient lacks access to rents from natural resources, and (2) when the aid is not disbursed to support donor strategic goals (e.g., military purposes).

**Murtazashvili 2019:** Despite the benefits of political decentralization in state-building, international and domestic actors typically prefer the centralization model. Centralized government reflects the desires of the international community in post-conflict situations because they have a primary relationship with the national figures they believe they can control. Newly elected domestic leaders also prefer highly centralized power, especially when this authority comes with international support (Disconnect between villages and centralized government in Afghanistan.)
**Inglehart & Welzel 2009:** Import-substitution strategies failed to promote growth. Successful development has been achieved with export-led growth, accepting integration into the global economic order, becoming open to the world. (Compare Lugard's "Dual Mandate.")

**Besley & Persson 2011:** A ruling faction's incentive to invest in state capacity for taxation and property protection may be reduced by fear of rivals using this. Threats of foreign invasion help to overcome such fears.

**Escaping the Fragility Trap 2018:** State fragility as a syndrome: Rival groups see politics as a zero-sum game, each plundering resources when it can. Many citizens do not see the state as legitimate, do not voluntarily comply with it. The state lacks capacity to perform basic functions of taxation and service delivery, including protection against violence. Lack of security inhibits economic investment. Donors should not demand too much of a fragile state. Support should be conditioned only on realism, honesty, and inclusion. Look for "easy wins" to build popular approval. To escape from fragility, the state must (negatively) create checks to restrain those who exercise power, and (positively) develop a national sense of common purpose. (How to create checks on central power without further weakening government? By strengthening autonomous institutions of local government.)

Effective national government is built from a social contract among local elites. A reduction of violence can be induced among unconquered elites by *elite bargains* that promise benefits of power (*rents*) in a limited-access oligarchic political system. Conflict over is easier to resolve when demands are divisible (but this requires an ability to credibly promise protection of rights for non-dominant groups, *law*). Large steps toward an open democratic free-market system would threaten these rents and so could cause a return to violence.

A political settlement can be destabilized by exclusion of some powerful elites that have been considered unpalatable by international interveners. Premature attempts to negotiate a peace deal can make things worse by discrediting moderates who supported the unsuccessful negotiations. Economic and military support can encourage elite bargains that depend on this assistance and so tend to perpetuate it. Interveners should recognize that they bring their own interests and domestic political constraints into the politics of the recipient nation. Other international influences must be expected, especially near the border.
Some final thoughts:
The problem of weak states has grown with an international norm against conquest. The international environment inevitably affects local politics. Nationalism: Resistance against foreign influence is essential to nationhood. The alternative to "our intervention" may not be "no intervention". Interventions to fill dangerous gaps in the international system will try to suppress political factions that are hostile to this system. Theories of "Westphalian" sovereignty have ignored pervasiveness of federalism. Feudalism: political advantages, economic costs. Democracy as one way for interveners to evaluate their clients' ability to lead. Formality vs. informality as a local defense against outside monitoring & influence.
R. Myerson, "Game-theoretic consistency and international relations," _Journal of Theoretical Politics_ (2006). A predictable inconsistency among people's beliefs? People in a nation can live together comfortably when they accept a shared belief that their national system of legitimate authority is compatible with Universal Justice. But as a result, when international coordination is required in new areas where internationally recognized limits have not yet been defined, people in each nation tend to overestimate the probability that their national view of justice and legitimate authority will be accepted by people in other nations.

"Capitalist investment and political liberalization," _Theoretical Economics_ (2010). Capitalist investment is constrained by the government's temptation to expropriate. Political liberalization can relax this constraint, increasing the tax base but also increasing the ruler's political risks. Let us measure political liberalization by the probability of the ruler being replaced if he tried to expropriate private investments (or if a random "scandal" appeared); then analyze the ruler's optimal liberalization. Results include a resources curse, where larger resource endowments can decrease liberalization and investment so much as to reduce the ruler's revenue. Mobility of productive factors that complement capital can increase incentives to liberalize, but prices may adjust so that liberal and authoritarian regimes co-exist.
The first essay, which will be due on November 11, should be not more than about 2000 words (about 4 or 5 pages with 1.5 spacing and 12p font).

You should explore the following question by referring to real problems in political development and international relations:

*What is the role of war and conflict in the process of state formation? Defend or critique the position based on class readings.*
The final paper will be due on December 6.

You may choose to answer the following question from one of two perspectives: "Is state-building necessary? Is state-building possible?"

1. Consider these questions from the perspective of the international community in general, articulating fundamental principles on international state-building interventions; or

2. From the perspective of one great nation (which could be the US or any other great power) consider why it should or should not become involved in such missions; if so, under what circumstances and then how to do so effectively; if not why not, and how to mitigate the negative impacts of state failure.

The second essay should constitute a deeper dive and be approximately 4000 words or less (up to 8-10 pages, 1.5 space, 12p font).