PPHA 44550 - WEAK STATES AND INTERNATIONAL RELATIONS
Harris School of Public Policy
Autumn Quarter 2020, Monday/Wednesday 1:50-3:10pm (Central Time)
Syllabus:  http://home.uchicago.edu/~rmyerson/teaching/ppha44550.pdf
Instructors: Roger Myerson and Michael Miklaucic
Teaching Assistant: Laura Montenegro Helfer

Requirements:
• Class participation (video on, please).
• The mid-term essay will be a concise examination of a historical case where a nation's political development was significantly affected (for better or worse) by international forces or foreign influence. The case will be, chosen by the student in consultation with at least one of the professors, and the essay should apply ideas from the course to this case. It is due on November 4 and should be approximately 2000 words (4 - 5 pages, 1.5 space, 12p font).
• The final essay will constitute a broader and deeper discussion of how the international community could better support positive political development, and it may build on the student's analysis in the midterm paper. It is due on December 4 and should be approximately 4000 words (8 -10 pages, 1.5 space, 12p font).

Each student will be assigned for a consultation with one of the two professors in preparation for the first essay assignment. For the final essay each student will be assigned for a consultation with the other professor.
Perspectives on theory of state-building, section 1.
Assumptions of the "Westphalian" system: partition of the world into independent sovereign states that enforce law and control violence within their borders.
Sanctity of recognized borders: People can be motivated to react strongly against even a small violation of their nation's border by fear that a weak response could create expectations of their willingness to surrender much more territory.
(Thomas Schelling 1960 on limited war.)

If a nation allowed its territory to be used for violent attacks on other nations, they should retaliate, and the guilty nation should accept this punishment.
But this decentralized mechanism for controlling violence in the world fails when a state lacks capacity to control violence; then its need assistance, not punishment.
Comparative politics question: What could foreign forces do that would actually promote positive political development in a country?

Weak states today depend on norms of international respect for their sovereignty.
An international intervention to promote political development would violate the Westphalian norm against international interference in national politics.
Rival interventions can be a primary cause of state weakness and failure.
Any general solution to the problem of weak states must include some principles for strictly regulating international interventions for political development.
International relations question: What revised international norms could provide a mechanism for responding effectively to the problems of weak states?
T Schelling "Bargaining, communication and limited war" = ch3 Strategy Of Conflict
Finding foundations of social order in limited war.
First consider shared interests, no communication...
**Tacit coordination:**
- couple separated in big store;
- 2 parachutists want to meet in terrain of Fig 1.
**Tacit bargaining (2 players with divergent interests):**
- one "X" gets $3 & other $2 (status quo), else $0;
- each can demand $0 to $100, get if sum ≤$100;
- commanders of armies at x & y want their troops to occupy maximal terrain without conflict.
**Coordinating power of salient focal points.**
**Explicit bargaining (with communication):**
- A retreating army may be expected to make a determined stand at the river, which is the one line to which they can retreat without being expected to retreat further; an advancing army's push beyond it could raise expectations of insatiable demands.

The power of focal points, which may be the main principle in tacit bargaining, remains significant in bargaining with communication (precedent, mediation).
**Limited war:** limits of Korean conflict 1950-53, gas & nuclear taboos (tactical nucs?), the sanctity of internationally recognized borders (Munich 1938).
Coordination problems are fundamental to limiting conflict & creating social order.
"Essay on bargaining" (ch2): to commit credibly to promise/threat, stake a relationship.
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 equilibrium, yielding payoffs (5,5).

But (1 hunts hares, 2 hunts hares) is also a Nash equilibrium, 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>

("Prisoners' dilemma")

In repeated games, dynamic equilibria can be generally supported by expectations that any unjustified misbehavior will be justly punished. Under this norm, any attempt to retaliate against just punishment would be unjustified misbehavior. (Folk Theorem)
Consider an island where every day different matched pairs play the following
\textbf{rival-claimants} game in various places on the island:

\begin{tabular}{|c|c|c|}
\hline
 & 2 claims & 2 defers \\
\hline
1 claims & -1, -1 & 9, 0 \\
1 defers & 0, 9 & 0, 0 \\
\hline
\end{tabular}

Nash equilibria:
\begin{itemize}
\item (1 claims, 2 defers) → \((u_1,u_2) = (9,0),\)
\item (1 defers, 2 claims) → \((u_1,u_2) = (0,9),\)
\item each claims with independent probability \(9/10\) → each \(E_{u_i} = 0 = 0.9 \times -1 + 0.1 \times 9.\)
\end{itemize}

They play the top equilibrium \((9,0)\) when player 1 is recognized as owner here.

\textbf{Schelling's focal point effect}: When a game has multiple equilibria, anything in the shared culture or history or environment 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.

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

\textit{[Connection with the model of contests for power: Rents from focal arbitration provide resources to reward those who supported the ruler in the contest for power.]}
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.]
Perspectives on theory of state-building, section 2a.

States are established by political leaders who can motivate a network of active supporters, who are needed both to win power and to wield it. Motivation requires credible promises of costly future rewards for current support. A political leader has a central commitment problem if the leader could enjoy fruits of power without his past supporters after rivals have been defeated. Agents in a firm might look to state courts for contract enforcement, but not agents in a political faction that acts to take state power itself.

A leader becomes politically accountable to a group of supporters when he could not hold power without their confidence in his promises of rewards for good service. This accountability is effective when key supporters monitor the leader's distribution of rewards, sharing evidence of his denying appropriate rewards to any of them. Courtiers must jointly judge their leader even as they serve him, and the leader must maintain his reputation for reliably rewarding his supporters for good service.

My APSR '08: In negotiation-proof equilibria of sequential contests for power, a contender cannot recruit supporters without a court where they can depose him. The standards of behavior that a leader must maintain to keep his supporters' trust form an informal personal constitution for the leader. These must include reliably rewarding good service, but may include other norms. A leader may fear to violate a formal constitution when his political relationships were developed in its context, so that violating it would shock his supporters.
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.]
Perspectives on theory of state-building, section 2b.
A trusted leader can mobilize a group's members to work for their mutual benefit. But the members of such a group can enjoy the benefits of effective leadership only when they all agree about who is their leader.
Thus, the question of whom to recognize as leader will have the form of a coordination game, which has multiple equilibria.
In effect, the problem of reaching consensus about who leads a group is a coordination problem to solve all other coordination problems for the group.

By Schelling's focal-point effect, anything in a group's culture or history that focuses attention on one candidate for leadership can become a self-fulfilling prophecy, as nobody would want to deny a leader who is recognized by everyone else.

The importance of history and culture in determining who is identified by a group as its leader should warn us that an effort to change the leadership of a group is likely to be frustrated unless it is appropriately rooted in the group's traditions.
For example, a group may have a tradition of selecting its leaders from a distinguished family, as long as a candidate can be found there with the essential quality of reliably rewarding good service and support.
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 laws and policies of the state.

**Becker Stigler "Law enforcement, malfeasance & compensation of enforcers" p6-8.**

An official can serve $n$ periods but each period he has an opportunity for malfeasance, which would yield corrupt benefit $b$ but would be detected with probability $p$.

In period $t (=1,2,...,n)$, the official could earn $v_t$ outside the state.

Let $r$ denote the per-period interest rate.

How much ($w_t$) should the state pay an official with good record in period $t$?

Let $X_t$ denote the net present value of excess pay ($w_s - v_s$) for all periods $s \geq t$.

So $X_n = w_n - v_n$, and $X_t = (w_t - v_t) + X_{t+1}/(1+r)$ for all $t<n$.

To deter malfeasance, we need $X_t \geq b + (1-p)X_t$ for all $t \leq n$.

The lowest pay that deters malfeasance will satisfy this **incentive constraint** as equality, and so $X_t = b/p$ for all $t \leq n$. Thus $w_n = v_n + b/p$ and $w_t = v_t + (b/p)(r/(1+r))$ for $t<n$.

*Where $b$ appears in these formulas, Becker&Stigler have $(1-p)b$ instead, because they assume that the corrupt benefit is lost if the malfeasance is detected.*

Note: A bond that is worth $X$ every period would have to pay interest $R = X(r/(1+r))$ in each period before maturity, so that $X = R + X/(1+r)$.

Such officials must hold implicit bonds worth $b/p$, which are their **moral-hazard rents**. The credibility of these promised rewards will depend on political leadership.
Perspectives on theory of state-building, section 3a.
The establishment of an effective state depends on solving thousands of moral hazard problems, for officials to implement the state's policies and enforce its laws. Each state official must expect that long-run rewards for good service can be better than what the official could get by abuse of power (*moral-hazard rents*).

Someone must be actively monitoring an official's performance and regularly judging whether it is worthy of rewards and promotion or dismissal. Simplest solution is by *administrative accountability* to a supervisor in a hierarchical chain of command, where each is responsible for subordinates' performance.

An office at the top of a chain of command is a position of leadership. Leaders can be *politically accountable* to a group, the *selectorate* for their position. For democratically elected officials, the selectorate includes all who can vote for them. A leader cannot exercise power unless subordinates trust his promises of rewards for good service; so even an authoritarian leader must be politically accountable to an *internal selectorate* of key state officials who together can keep him in power. Members of the selectorate for high state officials can have greater confidence in the state's commitment to protect their rights and property, *more incentive to invest*.

Are *mayors and governors* administratively accountable to a central minister or politically accountable to local selectorates? Countries differ! Fewer politically accountable offices ⇒ longer administrative chains, less responsive. Separately politically accountable offices need constitutional rules to define powers.
Perspectives on theory of state-building, section 3b.

Bureaucratic records and procedures can reduce costs of moral hazard in many routine state functions, by making some abuses of power harder to conceal.

But state bureaucracy requires more than just educated personnel who can manage sophisticated record systems; it also requires basic support of political leadership.

An essential function of top state leadership is to serve as the ultimate guarantors of incentive systems for lower state officials in the administrative chain of command. Political leaders may be willing to tolerate corruption in offices that have been allocated as patronage rewards for political supporters, unless there is countervailing political pressure from individuals in the selectorate who pay costs of this corruption.

In a well-functioning state, some officials serve as auditors, providing information that helps to reduce costs of moral hazard in agencies that provide public services. In a weak or fragile state, such independent auditing services may be relatively amenable to foreign assistance.

When a state has failed, could order and public services be restored by an intervention that brings a team of trained administrative officials from a successful state? The intervention could try to maintain the lines of administrative accountability for intervening officials who are sent abroad, but the lines of political accountability would fundamentally change in the translation to a foreign country. Political deterrents against abusive behavior by government officials can weaken or vanish when they are transferred from a successful democratic state to a country where nobody has any power to elect the intervening officials' political supervisors.
Legitimacy:
Max Weber (1919) famously defined the state as an organization "that (successfully) claims the monopoly of the legitimate use of physical force within a given territory."

Legitimate how? By divine right? [divination in rival-claimants games] By conquest? By social recognition itself? (Domestic recognition before international recognition?) Darwinian competition favors nationalities with norms against accepting foreign rule.

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.

Perhaps we might 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.
"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)" [defense of focal boundary a la Schelling].

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.
Perspectives on theory of state-building, section 4.
Misleading myth of Hobbes (1651) that, in the absence of a state, people would be in a "war of everyone against everyone."
People have lived in communities with systems of social status and kinship networks ever since our species evolved, long before the first states were established.
The absence of an effective state means that people have greater need to rely on local groups that can offer basic security and protection within their community.
So the process of state-building is not performed on a blank slate, but must entail a shift in authority from various forms of local leadership to the leaders of the new state.

To establish a Weberian monopoly on the use of force, a new state would have to suppress or subordinate local groups on which people have relied for protection.
In a new state where political accountability of its leaders has not been tested, people may have realistic concerns about abandoning local capabilities for self-defense.

We may distinguish 3 general paths for political development from a failed state, depending on whether the Weberian ideal is to be abandoned (oligarchy), or applied with compulsion against the resistance of local groups (autocracy), or applied only with broad consent and cooperation of local groups (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 (1154-1189) after civil war,
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 local (shire & hundred) 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).
Justices of the peace. County court of quarter sessions.
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."
"Even in England, the country perhaps of Europe where the yeomanry has always been most respected, it was not till about the 14th of Henry VII that the action of ejectment was invented, by which the tenant recovers, not damages only but possession...

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."

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 politics 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 republicanaize and to centralize" (DeTocqueville 1835).
The **mid-term essay** will be a concise examination of a historical case where a nation's political development was significantly affected (for better or worse) by international forces or foreign influence. The case will be chosen by the student in consultation with at least one of the professors, and the essay should apply ideas from the course to this case. It is due on November 4 and should be approximately 2000 words (4 - 5 pages, 1.5 space, 12p font).

Each of the professors will be the principal reader of the midterm essay for half of the students, and students should communicate with their principal reader about their planned focus for the essay before it is due on Nov 4. Students should discuss their paper with their principal reader at least by email and preferably by scheduling a meeting in office hours before the paper is due. For this midterm essay, Roger Myerson will be the principal reader for those in the first part of the alphabet, with surnames that begin with A through Ja... Michael Miklaucic will be the principal reader for those in the latter part of the alphabet, with surnames that begin with Ji... through Z. (The principal readers will be switched for the final essay.)