Is the choice in Iraq between anarchy and a ruthless dictatorship or is there a middle way? And if there is a middle way in Iraq or elsewhere, what conditions foster such an outcome? The fundamental political problem is that the power to prevent anarchy is also the power to impose one’s will. A raw application of public choice theory would lead one to expect that those with military and political power would further their own self interest at the expense of the rest of the population. Yet, contrary to the public choice paradigm, we do observe relatively benign dictatorships in some countries and a relative respect for property and civil rights in the democracies of North America and Western Europe. Here we explain why the choice need not be limited to brutish anarchy and a self-aggrandizing Leviathan. At the same time, we explain why dictatorships are inclined to take bad economic policies.

Keywords: Leviathan, Hobbes, dictatorship, democracy

JE # D70
Is the choice in Iraq between anarchy and a ruthless dictatorship or is there a middle way? And if there is a middle way in Iraq or elsewhere, what conditions foster such an outcome? The fundamental political problem is that the power to prevent anarchy is also the power to impose one’s will, which I will refer to as the Hobbesian dilemma. Yet we do observe relatively benign dictatorships (as in Singapore) and a relative respect for property and civil rights in the democracies of North America and Western Europe. Here, I discuss why the choice need not be limited to brutish anarchy and a self-aggrandizing Leviathan. I also derive the conditions that encourage the middle solution. At the same time, I explain why dictatorships are inclined to take bad economic policies.

For a person trained in public choice theory, the puzzle is why governments are not always repressive military regimes and dictatorships. Public choice emphasizes the self-interest of bureaucrats, politicians, and special interest groups (typically within a democratic setting). But the net result in these models is a relatively modest increase in government expenditure (relative to what the median voter might desire) in favor of the special interests. Here, we consider a much more profound possibility that arises when certain segments of the society, particularly the military, have the power to coerce. One would expect that those with military and political power would further their own self interest at the expense of the rest of the population. Functioning democracies and benign autocracies appear to be contrary to the whole public choice paradigm. This chapter tries to explain why the dire predictions of a raw application of public choice need not be the case in practice.

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Before proceeding further, it is important to show that democratic elections do not by themselves resolve the issues raised. As Iraq so clearly demonstrates, a democratic election is not sufficient if the losers think they can achieve their ends with force. In many Latin American countries, the army has taken over when the military was dissatisfied with the democratic process. Other countries with democratically elected leaders have been unable to solve problems of predation, corruption and lawlessness. Furthermore, an elected majority can run roughshod over the minority even if there is a constitution that says otherwise. As a final example, elected presidents can become authoritarian leaders, especially at moments when they believe they cannot win the next election (Africa provides many examples).

Unfortunately, clear and unambiguous answers to the beginning questions are not easy. There are only about 150 countries. Even including time series data does not raise the degrees of freedom significantly as there is a high correlation within each country from one year to the next. Furthermore, the direction of causation is not always clear and there are many exceptions to any generalities that can be made. The most that can be said is that there are various factors that influence the outcome.1 I will now consider each of these factors in turn.

1. Homo Economicus versus Homo Sapiens

Hobbes uses the metaphor of humans as being wolves or selfish predators. This is Homo Economicus in the extreme. But man is a social animal rather than a sociopath and therefore the median human has some positive regard for others. It is this positive regard that may temper excessive exploitation by those who are in power of those who are not.2

Of course, humans vary in their capacity for empathy. If rulers were an unbiased sample of the population, then rulers would be a bell-shaped curve of types on the ruthless--benevolent dimension. However, it is quite likely that rulers are not an unbiased sample. For example, in any

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1 Note that we looking for social science answers, not philosophical answers. For the latter, see Buchanan (2000) who provides a public choice perspective.

2 See Eusepi and Cepparulo (this volume) for further discussion.
situation where the road to power is through violence such as a civil war, the most ruthless, paranoid and cunning individual may win. It therefore should not be surprising that when these men gain power, they remain ruthless, paranoid and cunning (Pol Pot, Mao and Lenin are some examples). Yet George Washington did not become a dictator, perhaps because the war was fought against an external enemy not an internal one (many of the loyalists fled to Canada).

In a democracy where the list of candidates running for office is not severely restricted, the politician must appeal to a majority of people. If voters can on average detect sincerity, then a majority of voters would on average not vote for a candidate that would go against the wishes of the majority. So this is a possible explanation for why there is a difference between democracy and autocracy and why the more ruthless typically do not take power in democracies. The most ruthless (toward their own citizens, but not necessarily against others) are usually, but not always, eliminated.

To the extent that democracy relies on the median voter, the median voter need only have a modicum of altruism to generate government policies that respect civil rights and that do not exploit 49 percent of the population. This is easiest to illustrate mathematically in terms of policies to redistribute wealth from the rich to the poor. Consider the following thought experiment. You might hesitate to give $1000 to a charity that helped the poor because you do not weight the welfare of others as much as you weight your own welfare. However, suppose that there is a proposition on the ballot that taxes the richest 60% one thousand dollars each and gives the poorest 20% three thousand dollars each. You would probably be more willing to vote for this proposition (even if you were being taxed) than undertaking the individual charitable act because your loss would be minor compared to the overall gain to all the poor people (see Wittman, 2003, for an extended discussion). Similarly, one might be willing to forgo some small personal gain in wealth if there were an increase in civil rights and/or wealth for everyone. And if it were your own civil rights, you would even be more interested in protecting them.

But as noted in the opening remarks, democracy is only a partial answer. The question then becomes why the military accepts the democratic choice instead of installing someone who reflects the preferences of the military leaders. We will come back to this issue in a later section.
2. Returns to predation

In the previous section, the answer to why some political systems are not highly predatory was that not all humans are predatory and therefore more benign governments are possible (especially when the means to power have been achieved peacefully). Of course, even under the best of circumstances, one cannot rely on the altruism of rulers. In this section, we provide a different answer. Predatory rulers may choose to curb their predation because their long-run returns are higher this way.

A country’s wealth may be based on its minerals, forests, farmland and fisheries, or human capital. Human capital seems extremely hard to exploit. It is hard to control either how much another person thinks or the nature of the person’s creativity. It is more efficient to tax the income from human capital than to try to control it, but even here the taxation is limited as excessive taxation will lead to reduced investment in human capital, in the first place. While revolutions often involve destruction of those with human capital to prevent counter revolutions or to fulfill ideological ends (as was the case with the Khmer Rouge), a stable political system must be more careful in this regard because such disregard for human capital will mean less wealth to exploit for the country’s leaders. It is therefore, not surprising that those countries that have the highest human capital are also those countries with the least oppressive regimes and that in those countries with oppressive regimes, the people with the most political capital are treated the best. However, Mao’s cultural revolution is a counter-example as intellectuals were treated very badly.³

At the opposite end of the continuum is mineral wealth. Although some human capital is needed for the exploitation of minerals, most of the income from mineral wealth is a rent that does not depend on productivity. So the expropriation of mineral wealth has far fewer negative consequences for productivity than the attempt to appropriate human capital. Other things being

³ On the other side of the ledger, the average level of education in democratic India is less than authoritarian China. At the other end of the economic spectrum is Singapore, where there are limited civil rights. However, it cannot be characterized as a police state.
equal, the rewards from political power are much higher when the economy is based on rents (as is the case for oil extraction) than when it is based on human capital. This means that competitors for power will be willing to face greater costs in trying to obtain control. In turn, the present leaders of the country will want to undertake more repressive measures to maintain control. Not surprisingly, those countries with the greatest oil and mineral wealth as a percent of GDP are typically run by autocratic rulers who disregard civil liberties in order to prevent the seizure of wealth by others (see Paldam, this volume). And when they are not successful in this regard, the country is likely to face a long and brutal civil war. Canada, however, is an interesting exception.

Farmland is an in between case. The Soviet experience is an enlightening example. Stalin tried to tax the peasants by forcing them to sell wheat to the state at below market prices, thereby easing the strain on the proletariat and allowing for increased industrial production. But his tax was so excessive that the peasants cut back on their sales of wheat and instead raised pigs. Facing a crisis of too little bread for the urban workers, Stalin collectivized the farms, which ultimately reduced productivity enormously and led to the famine of 1932-33 (a famine far worse than pre-revolutionary famines). So in this example, the attempt to exploit the peasants ultimately backfired.

In US history, slave labor was associated with cotton and sugar cane, not apple and vegetable production, suggesting that that exploitation depends on the technology, not on the personality of the people owning the farmland.

Olson (1993) and McGuire and Olson (1998) developed the theory of the stationary bandit (autocrat). The essence of their argument is that the bandit will provide public good investment if this increases his ability to extract wealth in the future. Furthermore, the stationary bandit will maximize his present value by tempering his exploitation of wealth, lest individuals reduce their effort. As I have just argued, the need to temper exploitation is increased when human capital is primary and reduced when rents are collected. Using the language of game theory, cooperation is reduced when the game is zero-sum rather than positive-sum.
Given the above argument, it is not surprising that, with the exception of oil based economies, all countries with above $5000 per capita income in 1985 dollars are stable democracies and score high on the Gastell index (see Paldam, this volume, and Przeworski, 2006). However, it appears that Robert Mugabe, Kim Jong Il, and a host of other autocrats have not read McGuire and Olson. We will deal at length with this point in the following section.

3. Maintaining power: Why do autocrats so often undertake inefficient policies?

As the collectivization example suggests, autocrats often undertake inefficient policies that persist over long periods of time. So further explanation is needed.

It could be that the leaders are stupid when it comes to economic matters and there is no one willing to challenge them (see Wintrobe, 1998). Economists generally eschew such answers, but economists usually concern themselves with competitive markets, not the market for authoritarian control. In competitive political markets (that is, democracies) leaders that undertake grossly inefficient policies are easily removed from office. In autocracies, coercion allows a leader to stay in power despite catastrophic economic policies (see Bueno de Mesquita et al., 2001, and Wintrobe, 2002). And so we have observed Mao’s “great leap forward,” Stalin’s promotion of Lysenko’s mistaken views of inherited traits (stupidity is not limited to economic concepts), and the like.

Still economists crave more rational explanations. The most likely answer is that property rights and economic growth may reduce the ability of the autocrat to remain in power by increasing the power of others. As a consequence, the autocrat may restrict growth (as in North Korea or in Mexico where the PRI stayed in power for 70 years despite low economic growth).

At present, we have only a limited understanding of why growth would reduce the ability of autocrat to remain in power. Greater productivity makes for increased welfare of the citizens,

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4 Of course some countries with low per capita income are stable democracies. India is a prominent example.
which should in general decrease their desire to overthrow the government. Bad economic conditions do not improve the likelihood of the incumbent being re-elected in democracies. Here are some stabs at finding a rational explanation for autocrats favoring low levels of economic growth.

Authoritarians fear organizations not directly under their control because organizations allow citizens to coordinate their activities, including plotting against the authoritarian. Authoritarians therefore tend to place great restrictions on citizens’ ability to organize. For example, censorship reduces the ability of the opposition to coordinate and overthrow the incumbent power (see Kuran, 1997). Even a coup (which involves relatively few people) is difficult in an authoritarian regime. It is hard for plotters to find co-conspirators when one is not sure where others stand, there is considerable spying, and the cost of a failed coup is death. More widespread revolts require greater coordination and spread of information, something that is difficult when the government controls the media and will not report such incidents until it is sure that the conspiracy has been squelched. So restrictions on civil rights can maintain the leader in power if the restrictions themselves do not give sufficiently greater impetus to the opposition.

In the Soviet Union, limited telephone service prevented political organization, but at the same time reduced economic coordination. More generally, control over all aspects of life, including the economy, may increase the authoritarian’s tenure by preventing organized resistance. But central control of all organizations undermines the competitive process and reduces economic growth. In an authoritarian regime with deep roots into the economy, everything is political, and initiatives from the bottom are much harder to implement than initiatives from the top. Suppose that someone develops a new method of distributing goods, as Wal-Mart has done. In the United States, Wal-Mart had to overcome some bureaucratic hurdles, but it is nothing like what would have happened in the Soviet Union, even if the idea had been generated by some cooperative enterprise. The decision to allow such a distribution method would have to be analyzed in terms of how it might upset the power structure, thereby making what should be a small decision into a much more complex and global one. In order for the initiative to pass, too many parties would be involved. With such high transaction costs, change and initiative are stifled and economic growth
reduced.\textsuperscript{5} In a nutshell, the authoritarian model is hierarchical while the model of economic success is both more anarchic and horizontal (cooperative exchange).\textsuperscript{6}

A somewhat related argument is that a flourishing economic sector would change the coin of the realm from coercion to money. Those with money might be able to bribe underlings of the political sector, thereby undermining the power of the autocrat. However, autocrats tend to use their power to garner economic wealth. So it is not clear why they use inefficient economic policies, such as owning government monopolies, to gain wealth rather than through bribes and the collection of taxes. Perhaps the best answer is that there is a tradeoff: a growing economy implies a greater surplus to the authoritarian, but also increases the political risk of being overthrown.\textsuperscript{7} Authoritarians tend to like stability in the domestic sphere because that means that they will remain in power.\textsuperscript{8} Because economic growth is unpredictable in its consequences, the authoritarian leader may prefer to control a less prosperous economy.

\textsuperscript{5} Those brought up in East Germany seem to lack the initiative of their West German counterparts.

\textsuperscript{6} This argument can be used to explain the slow growth of China in previous centuries despite its early invention of pottery, printing and gunpowder – everything down to the smallest detail was regulated by the state (see Landes, 2006). However, Diamond (1999) provides a different argument -- that China did not face competitive pressure from other countries as was the case for the various countries of Europe. While European competition also meant many more wars, it did have the byproduct of spurred innovation (particularly in warfare) because those that did not innovate would be overcome by other countries. See also Wittman (2000). But perhaps, in backward societies, centralization increases growth. See section 4 on reverse causation.

\textsuperscript{7} During the Korean War, China relied on private enterprise for industrial products and war supplies. Afterward, Mao expropriated the capitalists, saying: "During the past one and half years, the capitalists made a huge fortune in the Korean War and advanced their political status. Now, they are in high spirit and are viciously attacking us. It is high time for us to fight back by using various means and excuses. If we do not make them infamous in the society, more and more people will be sympathetic with them and side with them." With such a motivation, the state launched a so-called Five Anti Campaign (anti-bribery, anti-tax-evasion, anti-cheating in quality, anti-stealing state assets, and anti-stealing state economic intelligence), whose ultimate purpose was to reduce the political and economic influence of the capitalists. See Chong-En et al. (1998).

\textsuperscript{8} Dictators may be more adventuresome in the international arena if they want to increase their domain of power.
Another version of the same argument is that those who gain power through coercion may tend to solve economic problems by coercion, as well. After all this is the tool that worked for them in either getting or maintaining power. This seems to explain the behavior of Stalin, who criminalized workplace violations, used forced labor, and collectivized agriculture rather than using monetary incentives (for the Soviet experience, see Gregory and Harrison, 2005; for the role of coercion more generally, see Wintrobe, 1998).

Here is a third possible explanation. If the citizens of North Korea knew how bad things were compared to the rest of the world (and South Korea, in particular), then they would revolt. Keeping the North Koreans in the dark would be next to impossible in an open economy. So, Kim Jong II, is willing to forego the economic growth that goes with an open economy to prevent being overthrown. There are two problems with this answer. One it assumes that the people in North Korea have not been able to figure out that they are poor and oppressed. It also assumes that this policy maintains Jong II in power more than if he opened up his economy as the Chinese have done.

A fourth explanation assumes that the autocrat’s time in power is very limited and thus he steals while he is in power rather than building for the future. That is, the autocrat is not a stationary bandit, but a temporary one. This probably explains the behavior of many autocrats in Africa, where the tenure is often short. However Bueno de Mesquita, et al. (2003) have shown that on average dictators last in power longer than democrats (Castro is an obvious example). As a possible counter to Bueno de Mesquita and his co-authors, the lives of former dictators tend to be short while the lives of former heads of democracies tend to be long and financially rewarding (President Clinton has made millions writing his autobiography and giving lectures). So perhaps dictators have a shorter time horizon after all.

Whenever power is secure, those with power will have longer time horizons. This includes “special interests,” who gain from growth as there is more to exploit.
Finally, autocrats may be indifferent to economic growth as long as they and their coterie are doing well. The welfare of others is not important for their political survival. And even in very poor countries autocrats can live very well.

Because there are so many examples of autocrats pursuing low-growth policies for so long (the Soviet Union for decades, China for centuries, and countless other countries), one searches for a rational explanation. In this section, I have provided a political answer – growth may shorten the autocrat’s tenure in office. Nonetheless, this account does not explain the contrary result -- that a number of autocracies have pursued high growth policies. Singapore and present-day China are obvious examples. Indeed, the People’s Action Party has remained in power in Singapore because of the high growth policies. The interesting question is how the Communist Party in China can stay in control despite the decentralization of economic power and whether it will be able to remain in power. Finally, democracies are not immune from bad economic policies – India’s socialistic model crippled growth for the first 50 years of its independence.

4. A Reverse Arrow of Causality

In the previous section, we asked why autocrats might choose low growth economies. In this section, we reverse the arrow of causation and ask why backward economies might “choose” autocrats, and more generally, we ask what circumstances increase the demand for them.

Centralization of power, but not necessarily autocratic centralization of power, may be a response to political, military, and economic circumstances. Poor countries may require extensive investment in social overhead investment, which requires relatively large transfers of wealth. A significant degree of centralized power may be required to enforce such large transfers. Another version of this argument has been made by Dudley (1991). When information storage is costly and transmission is relatively cheap, as in the Soviet Union, then centralized power is optimal.

10 Other examples include Hitler and Pinochet. Hitler was responsible for extremely high growth in Germany and a reduction of unemployment from 6 million to practically zero during the time span 1933-1939. Pinochet was responsible for improving economic conditions in Chile. Perhaps, one could say that dictators produce high variance outcomes.
However, when storage becomes cheap relative to transmission, then decentralization becomes more likely.

Hobbes argued that Leviathan was needed to solve the problem of anarchy, but a more social science explanation might be that the greater the potential for anarchy, the more control the central power needs to impose. So maybe Tito and Saddam Hussein were necessary solutions to highly fractured societies. But India has not chosen this path.

There are technological and “ecological” reasons for the centralization of military power. External military threats often lead to an internal consolidation of military power to create an effective counter force. As McNeill (1984) pointed out, scale economies in military technology are the key to whether military power is centralized. If the ruler suffers as many casualties in putting down a revolt as do the rebels, then his power is likely to be weak or temporary. With tanks and jet aircraft as the dominant technology, the Shiites had little chance against Saddam Hussein. However, with Stingers and rocket-propelled grenades, the Afghans were able to drive out the Soviets.

So far, we have provided explanations for greater centralization of power, not for greater exploitation. However, the greater the centralization of power, the greater the potential for exploitation because there are fewer constraints on power. The words of Lord Acton resonate: Power corrupts and absolute power corrupts absolutely. We will pursue this idea to greater length in the following section.

5. Anarchic equilibrium

While intellectually it is easier to understand a situation where there is a monopoly of power, in the real world, power is likely to be more diffuse. The observed outcome is likely to be the equilibrium of the various military, political and economic forces. To best gain insight, consider the international system. Despite the argument by some that the US exerts hegemonic (monopoly) power, this is certainly not the case as witnessed by the inability of the US to control events in Iraq or influence that tiny island called Cuba, just 90 miles from Key West, Florida. In
the real world, every country would like to have more influence on the international stage, but even the most powerful countries are limited at the margin by the countervailing power of other countries. And while the international system is not without war, peace is, on average, the prevailing outcome among dyads (even geographically contiguous dyads).

In a similar vein, domestic politics might more fruitfully be viewed not as a monopoly of power held by one group (or hegamon) but as an equilibrium of various forces. Thus the ability to impose one’s will is limited because the power of any one group is limited. In many countries, the poor do not have the military and/or political power to expropriate the rich, nor do the rich have the ability to remain in power without sharing some of their wealth with the poor (see Acemoglu and Robinson, 2006, and Przeworski, 2006, for extended arguments). So predation may be limited because in equilibrium the power to predate is limited. We will come back to this issue when we focus on military power.

6. Culture

Culture may temper predation by those in power. Consider slavery. Today, it is unlikely that any US president would want to enslave African-Americans even if slavery enabled those in power to increase their control and become wealthier. Yet Washington and Jefferson had slaves.

Economists do not like to use culture as an independent variable. Przeworski (2006) has argued that culture is just another word for equilibrium and that it has no extra explanatory power. Yet different people have faith in different institutions (democracy, theocracy, royalty) and the proportion of people who believe in these vary from country to country. That is, some people value these institutions in and of themselves, rather than as instruments towards their own welfare (in political science, this is known as legitimacy). In both pre and post World War II France, the support for a royalist as opposed to a democratic government was relatively high compared to the US. No doubt those who supported a royalist government would on average

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11 Culture may also serve as a coordinating device regarding who will get what. Note that some cultures may promote exploitation and individual’s inclination towards vengeance while other cultures may tone down the impetus to exploit others in the society. See Binmore (1994) for a discussion of moral norms as coordinating devices.
gain more from a royalist government than they would from democracy. But this is not the whole explanation. Some people who would benefit in a narrow economic way from a royalist system still might prefer a democratic or theocratic system (in this way, culture interacts with the social animal argument). Suppose that tomorrow the Catholic population in the United States were instantly replaced by the present occupants of Saudi Arabia, Yemen and some other religious intolerant countries (or that yesterday the royalists from France replaced Canadian voters). It is not clear that the bill of rights or even the present democratic system would survive despite the separation of powers and other supposed safeguards.

7. Competition during war

Economists often see competition as a means for improving welfare. Groups compete for control. Typically no one group can assert complete control. We considered this possibility in the section on anarchy – the more power is dispersed, the less any particular power center can exert its control and exploit others. What happens when there is an actual war? In such cases, there may again be competition among the groups for partisans in the fight. At least in theory, competition may improve the welfare of those being competed for. Yet, when it comes to actual warfare and coercion, the logic seems undermined by the facts. Those who live in contested areas are often victims of both sides. Why does the competition for the “swing voter” make things worse for those in the middle when there is a civil war? The answer seems to be that elimination seems more productive than co-option.

We will get back to the issue of competition in the next section.

8. The military

Since Locke’s Second Treatise of Civil Government (1690) and Montesquieu’s Spirit of the Law (1748), writers have made much of the separation of powers of government into the executive, legislative and judicial branches. No doubt, at the margin, this separation reduces the power of any one branch to foster its own ends as Madison famously argued in the Federalist Papers. Yet, I have always found this line of analysis rather superficial. First, there is nothing to prevent a
coalition across the branches of like-minded individuals. More important, neither the judiciary nor the legislature (nor sometimes the executive) has control over the military, where the power to coerce ultimately resides. So, once again, we are back to the Hobbesian conundrum, but in its deepest manifestation. Why don’t the military and the police exercise their power to promote their own ends, be it economic or political (as one suspects is happening in Iraq)? As noted in our introductory remarks, even in democratic systems, we need to ask why those with the power to coerce do not do so. As we will see, to a large extent the answers have been provided in the previous sections.

Perhaps the most important reason for the military not exerting its will is that the military may not be monolithic, particularly so, when the country is democratic. Although the military is almost always unified when facing an external enemy, it is less commonly so with regard to domestic politics.

In the early history of the US, the existence of state militias prevented the centralization of military power in the hands of the federal government, but it still does not explain why the state militia did not exploit citizens of the state. The first answer is that there was competition between the states – a race to the top. Greater exploitation of the citizens of one state would lead to migration to a state with less exploitation (see Brennan and Buchanan, 1980, Wittman, 2000, and Spolaore, 2006, for a discussion of beneficial competition). This was relatively easy as there were few linguistic, cultural or physical barriers. The thirteen colonies were a group of contiguous states, not thirteen islands separated by vast distances. There was also a hinterland where people might escape predation by the state. It would have made little sense in terms of a cost-benefit analysis to have erected physical barriers to prevent emigration as was done in the Communist countries nearly two centuries later (see Friedman, 1977). A second reason is that power was diffused quite evenly among the citizens. Most male citizens owned a rifle. The more powerful weapons such as cannon were not very mobile. So there was little centralization of military power. Of course, the same is not true today. So we must consider more subtle explanations when considering more recent times. It seems that there are two stable equilibria: (1) diffuse and (2) monolithic.
In most democratic countries, the army and police force are not monolithic because the individuals that populate them are not recruited from any one segment of society. Many countries have a universal draft and often their officer corps either more or less reflect the pattern of interests in the society as a whole or else would not obtain the allegiance of their lower ranked soldiers in the event of an attempted military takeover.\textsuperscript{12} Indeed it has been argued that the rise of democracy in Europe is intimately connected to the use of mass armies, initiated by Napoleonic.

Of course, this just moves the question, one step back – why doesn’t the military become monolithic. The answer appears to be that no one group is willing to give up its power to another group. This occurs within the military and outside of it. The executive is not willing to give up power to the military that it does not have to; similarly, within the military, no groups are willing to have their members excluded from further recruitment. Therefore diffuse military power is kept diffuse by not allowing the military to restrict its recruitment to certain ethnic groups or to those with particular ideological stances.\textsuperscript{13} Indeed, in some countries (Kuwait for example) people in the military do not have the right to vote, thereby restricting their ability to make policy.

A useful contrast is Iraq where the power to coerce was monolithically under the control of Saddam Hussein.\textsuperscript{14} The Republican Guard was mostly Sunni, and most of the Sunni were recruited from certain tribes and locations loyal to Hussein (e.g., Tikrit). The regular army had ill-trained and ill-equipped Shiites as cannon fodder, but the leaders were Sunni. Finally, the Fedayeen Saddam (a group of armed paramilitary enforcers) were perhaps the most loyal and

\textsuperscript{12} Falaschetti and Miller (2001) explain why diffuse power is necessary.

\textsuperscript{13} There are exceptions. In the US, communists have not served; and in Israel, Orthodox Jews are not subject to the draft. In almost all countries, females are typically not a significant part of the military. Of course, the military is not an unbiased sample of the population. According to \url{http://www.armytimes.com/story.php?f=1-292925-2513919.php} only about 17% of the US military, as opposed to about 50% of the general population, view themselves as Democrats.

\textsuperscript{14} Another insightful example is Cuba, where Fidel Castro’s brother Raul is head of both the police and the army.
most tribally affiliated with Saddam. If Saddam had remained in power, it is extremely unlikely that the make-up of the military would have shifted its ethnic base in any meaningful way. Post Saddam, the private militias have essentially captured control over the military apparatus, making it difficult to change the military into a force for national unity.

Many of the arguments used in the previous sections apply in this section, as well. In a stable democratic system, the people recruited to be military leaders are not wolves (sociopaths), but people who, in one way or another, value the democratic system. So if there are some who would like to overthrow the democratically elected government, others might very well resist even if they might gain personally from such a coup. And, ignoring the preferences for democracy, the diffuse interests of the military make it unlikely that a majority of the military would gain from a coup, making a successful coup unlikely; and if success were likely, the means could probably be achieved more readily and at less cost through the ballot. To use the language of economics, a Pareto improving trade among a large and diffuse group is more easily done within the context of a legislature than within a hierarchical system such as the military.

9. Anarchy

Countries live in a state of anarchy, but they are not constantly at war. Tribes may also be in a state of anarchy with each other, and they too need not be in a constant state of war. Although recent history shows a more dismal outcome, Afghanistan was relatively peaceful in the 60 and early 70s despite the fact that the country was more a collection of tribes than a government. So

15 The division of military power into parts made it more difficult for any one group to overthrow Saddam. All authoritarians worry about how to organization the military and police so that they are unable to coordinate against them. This takes a non-negligible portion of the social surplus.

16 In those countries that alternate between democracy and military dictatorship, the military often inculcates values that they view as being superior to democracy.

17 But violence is still endemic to this world. By examining skeletons, anthropologists estimate a surprisingly high proportion of males die violent deaths.
centralized power is not the only answer to anarchy. Another alternative is “tribal anarchy”. The problem is that anarchy is typically not a stable equilibrium (see Hirshleifer, 1995), especially so, when there are economies of scale in military power. So centralization of military power seems inevitable when there are economies of scale, but, as we have argued, diffuse preferences of the military may make it less monolithic and less predatory.

10. Concluding Remarks

Economists like to provide simple models to explain events. But when we try to explain the more than occasional absence of extreme exploitation by those who ostensibly have the power to coerce, and at the same time try to explain why others employ extreme forms of coercion, we must fall back on several explanations. Limited ability to exploit (either because one has limited power to coerce or because coercion itself does not produce much benefit to those with power) is a consistent theme throughout this chapter. Another theme is that preferences (culturally influenced or screened for in obtaining power) may induce greater or lesser exploitation, depending on the screening device and the nature of the culture. More empirical studies are needed to determine the importance of these arguments in explaining whether Leviathan is just a paper tiger, and if not whether Leviathan takes advantage of its coercive power to promote its own selfish ends.

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18 Of course, this does not reduce the Hobbesian dilemma; it only reduces it to a smaller scale as tribal chiefs can extort the members of their tribe. For a spirited defense of anarchy, see De Jasay (1997).
REFERENCES


Eusepi, Giuseppe and Alessandra Cepparulo (2006) Variations on the *lupus et agnus* story. In search of the *homo sapiens*. This volume.


