

*Violence and Social Orders:
A Conceptual Framework for Interpreting
Recorded Human History*

Implications for Economic
Development

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Key Questions:

- How is violence controlled or contained?
- How do societies support organizations?

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Social Orders

- A framework to understand the operation of the political, economic, and other social systems.
 - Violence
 - Institutions
 - Organizations
 - Competition.
- Three social orders in human history
 - Foraging order
 - Limited access order
 - Open access order.

Limited vs Open Access Orders

- The *limited access order*, or *natural state*:
 - The political system manipulates the economic system
 - Creates rents to sustain order.
- In *open access orders*:
 - Political, economic, and other forms of competition combine with institutions to sustain order.
- Redefines the problem of economic development:
 - The *transition* between limited and open access.

Roadmap

- (1) The natural state.
- (2) The open access order.
- (3) The transition.
- (4) End with the broader implications for economic development.

The Logic of the Natural State

- The Natural State solves the problem of violence by creating rents.
- Individuals and groups with access to violence have incentives to cooperate.
- The political system uses rents and limited access to sustain order.
- Relationships are personal.
- Limited access to organizations
- Limited access, privileges, and rents imply constraints on economic growth.
 - “Market intervention”

The Natural State (cont.)

- Limited adaptive efficiency
 - Natural states are stable but not static.
- Examples.
 - Medieval England, Nigeria, Kenya, Argentina, Mexico, Russia.
- Mexico under the PRI/ Philippines.

Types of Natural States

- Three types of natural states
 - *Fragile Natural States* (Iraq, Sudan, Somalia)
 - *Basic Natural States* (Egypt, Nazi Germany, Saddam Hussein's Iraq)
 - *Mature Natural States* (Argentina, Brazil, India, Mexico).
- These types are not rigid categories.

Open Access Orders

- All citizens have the ability to form contractual organizations.
- Open access creates and sustains:
 - Both economic and political competition.
 - Rich civil society.
- Impersonality
 - Impersonal exchange (North)
 - Impersonal benefits/ public goods.

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Open Access Orders (cont.)

- Some rent-creation
 - But access to organizations is open
 - Markets are far more competitive than in natural states.
 - Role of political parties.
- Adaptive efficiency (Hayek, North)

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The Transition

- The Transition begins with the *doorstep conditions*:
 - **DC 1**: Rule of law for elites
 - **DC 2**: Creation of a perpetual state.
 - **DC 3**: Political control of the military.
- The transition is difficult to begin.
- A few developing countries are in the transition
 - South Korea, Taiwan, possibly the Czech Republic, Hungary, Poland, and Chile.
- Most developing countries remain natural states.

Natural States vs. Open Access Orders

Concept	Natural State	Open Access
Violence	Distributed, not controlled	Consolidated, controlled
Perpetuity	Not perpetual	Perpetual
Impersonality	Personal	Impersonal

Implications for Economic Development

- Violence is a first order problem.
- Economists: Market reform is Pareto Optimal
- They see developing economies as having too much
 - “market intervention”
 - “rent-seeking” (limited access).
- Implication: market reform.
- Our perspective:
 - Economists ignore the problem of violence.
 - Market reform threatens to undo the glue holding natural states together.
 - Hence reform is typically resisted.
 - Reform assumes the doorstep conditions.

Summary of Why Reform Fails

- Natural states are not sick.
- Attempts to create market reform, democracy, and rule of law fail to account for the logic of the natural state.
 - Violence
 - Lack of perpetuity
 - Lack of impersonality.
- These reforms cannot succeed in natural states that lack impersonality and perpetuity.

What is to Be Done?

- No magic bullets.
 - Development remains a hard problem.
- Our perspective: need to create the basis for:
 - Consolidated political control of violence.
 - Perpetuity
 - Impersonality.

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Why the West?

- Military revolution thesis:
 - Military competition in Western Europe drove development (Bates, Parker, Tilly).
- Accept facts, provide new interpretation
- We emphasize:
 - Dispersed violence (no Weberian state).
 - Organizations
 - Transition from natural state to open access order.
- British Navy Example.
- Competition among states; but also the transition.

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Emergence of Competitive Banking in the U.S.

- Haber (2006): Monopolized banking in Mexico qua natural state.
- Wallis, Sylla, Legler (1994): U.S. starts out similarly.
 - Virtually all states create monopolies/oligopolies
 - Competition among states.
 - MA banks
 - NY; era of free banking.
 - By 1860, United States has more banks than the rest of the world combined.
- Contrast with Mexico.

South Korea

- Natural state under President Rhee (1948-60)
 - 1960 very poor. Comparisons with Africa.
 - Regime fails when U.S. aid diminishes
- Park's coup initiates changes export-led growth.
 - Communist threat
 - Replace personal with impersonal criteria
 - Forces more open access: widespread sharing of gains.
 - Public goods instead of patronage
 - Wages growth 8%/yr under Park.
- Credible commitments due to communist threat.
- Aspects of each of the doorstep conditions.

Africa (Bates Hypothesis)

- The West in early modern Europe.
- In contrast, modern Africa faces much lower external threats.
 - Role of the cold war.
- Kenya.

Conclusions

- Natural states
 - Solve the problem of violence through rent-creation and privileges.
 - In the early days, produces great wealth; but a significant economic liability when natural state compete with open access orders.
- Open access orders extend citizenship to all citizens
 - Built on impersonality and open access.
 - Competition in both politics and economics produces thriving markets.

Conclusions (cont.)

- Redefines the problem of economic development
 - Why it is so difficult to promote reform and economic growth in developing countries.
 - Standard views assume doorstep conditions
 - Economics;
 - Political science/ Democracy
 - Law: Independent Judiciary/rule of law.
 - Focus on creating the doorstep conditions.