

Order & Violence (Political Economy of Development)



Week 5: Society
Chris Blattman

Week 5 objectives

1. Most states for most of history have been coercive and extractive because their populations have been relatively powerless
2. Bargains that give rights and protections to wider and wider groups of people are sustained by those people's ability to credibly threaten exit or costly voice
 - Exit can range from tax evasion to moving to the informal sector
 - Voice ranges from protest and rebellion to quieter everyday weapons of the weak such as sabotage or shirking
3. A state must value the citizens and the production or legitimacy that comes from their loyalty for exit or voice to be a costly threat
 - Thus states that do not depend on citizens for legitimacy or for revenue (e.g. oil producers, or the aid-dependent) may be the least inclusive

I. Democracy as struggle

This week is really just a continuation of the “institutions” topic

We’re still concerned with two questions raised last week:

1. Why would elites form larger coalitions?
 - Why share power with other elites and organized groups: Other nobility, producers, traders, landlords, clergy, unions, ...?
2. Why would these coalitions in turn give up power and share it with the masses?

Clearly it's not enough to have a written constitutional right

Citizens are guaranteed freedom of speech, of the press, of assembly, demonstration and association... citizens are entitled to submit complaints and petitions.

—From the Socialist Constitution of the Democratic People's Republic of Korea (North Korea)

There shall be no discrimination on the basis of sex.

—Constitution of Pakistan

The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of race, color, or previous condition of servitude.

—The Fifteenth Amendment (1870)

Another answer: Struggle

Rights come from the continued ability to enforce bargains

There is really only one process of democratization, and that is a process of struggle. Democracy is never given, it is always taken.

— Claude Ake, “The Feasibility of Democracy in Africa”



So let's turn to the second question

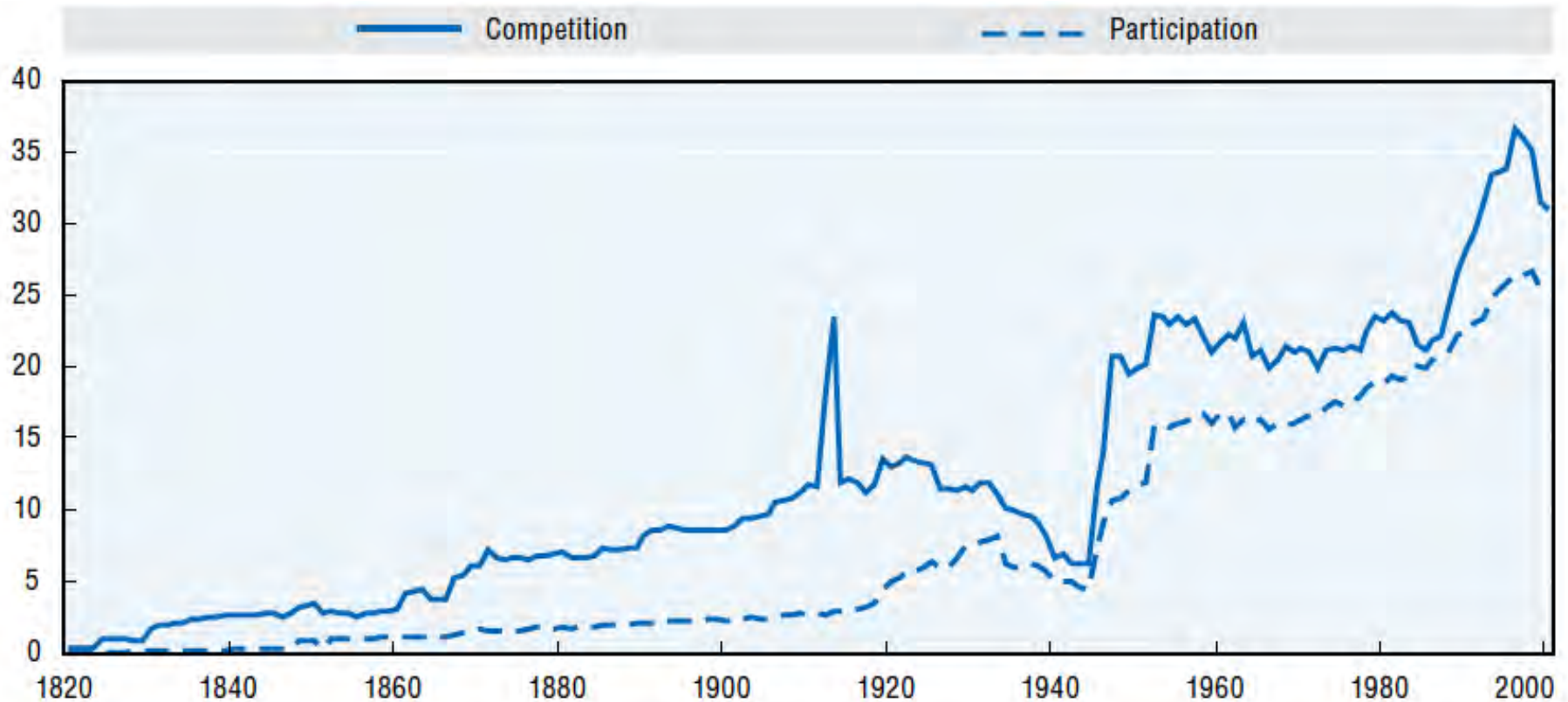
1. Why did rulers share power with other elites: nobility, producers, traders, landlords, or clergy?
2. Why would these elites in turn choose to give up power and share it with the masses?

At the outset of the 19th century, most of the world is controlled by a narrow, rural, agrarian class of nobility



"This will not long endure." ["Ça ne durera pas toujours"], 18th century French engraving

Since then, a growing share of the share of the world has participated in competitive elections



“Index of Democracy”

Competition = 1 – share of votes by the winning party

Participation = % of adult population who cast a ballot

Within the first movers towards democracy, this increase in participation was also incremental

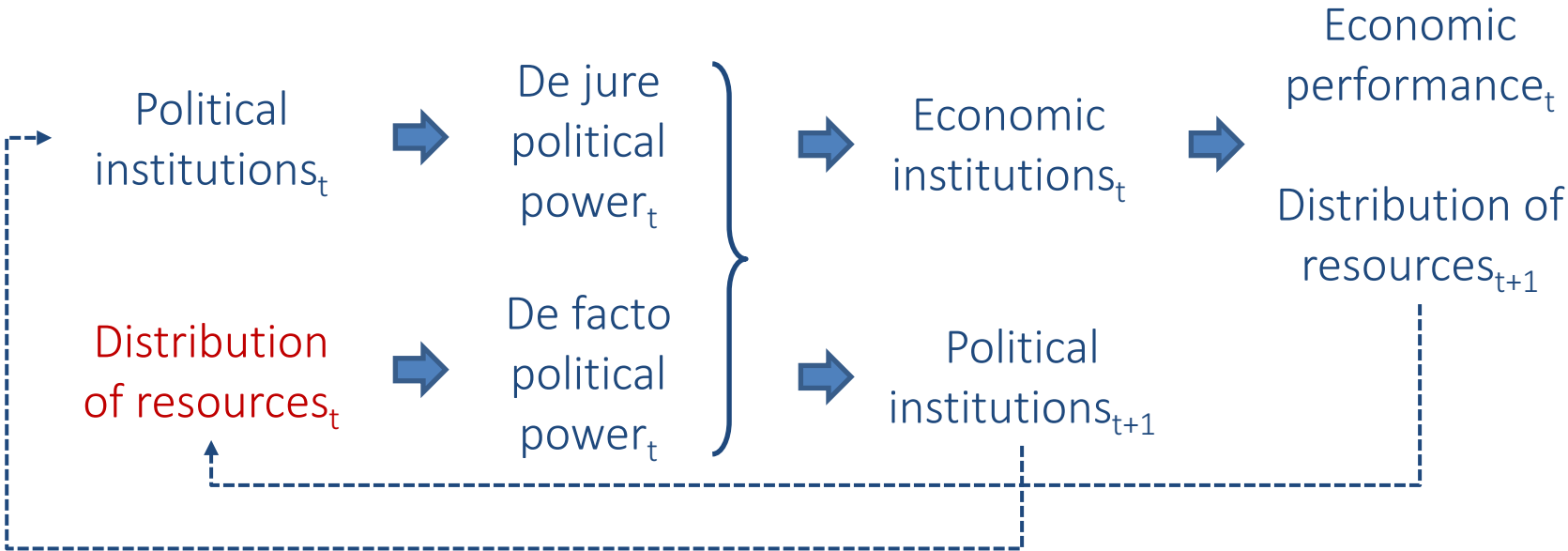
The gradual emergence of mass participation in Britain, 150 years after the Glorious Revolution

- 1432 Men owning large property (aristocracy)
- 1832 + Men who rent large property (1 in 7 males)
- 1867, 85 + Men in urban areas with property
- 1918 + all Men >21, + Women >30 with property
- 1928 + Women over 21 without property
- 1969 + Men and women 18-20

Experience tells us that we ought to look for changes in power and the social conflict that results

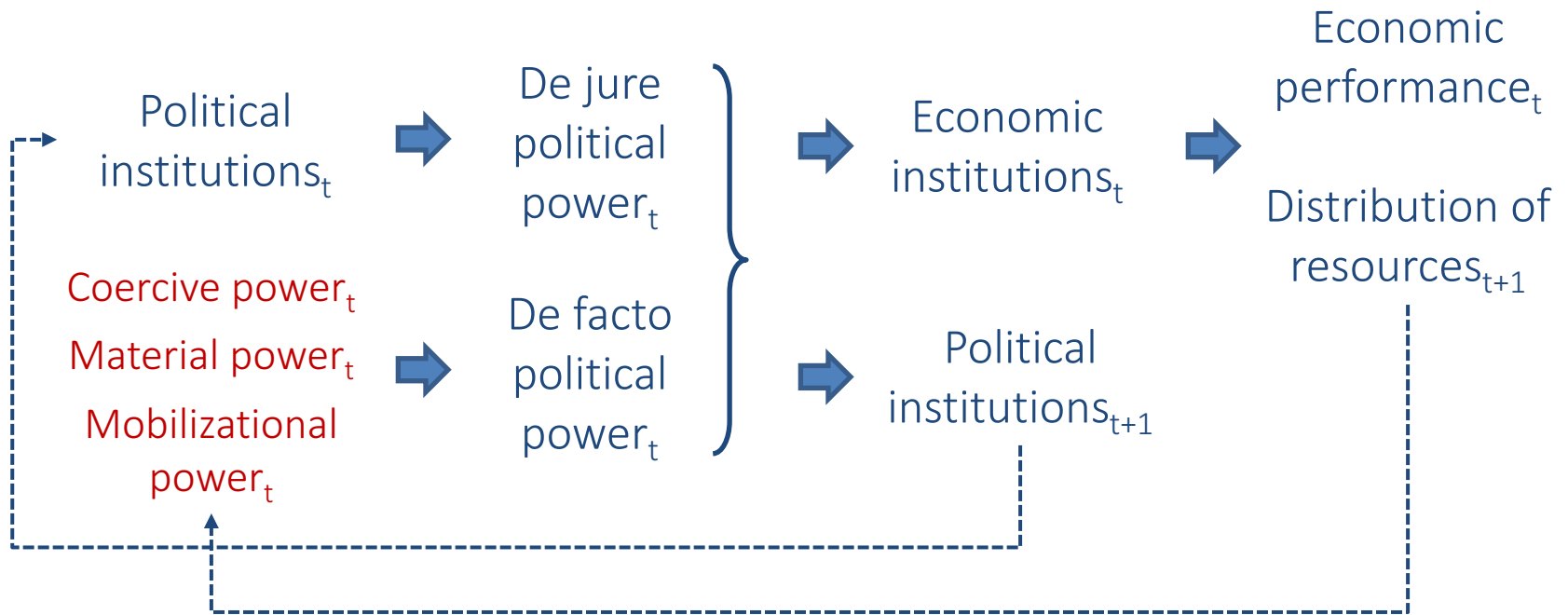
- Coercive power
 - The means of violence
- Material power
 - Wealth and resources to incentivize others, to hire professional advocates or build coalitions
 - The ability to withhold or evade taxes
- Mobilizational power
 - The capacity to sway: lead people, persuade followers, create networks, provoke responses, and incentivize and inspire people to action

Acemoglu & Robinson's happened to emphasize a fairly material view of power



Acemoglu, Johnson, and Robinson (2005). "Institutions as a fundamental cause of long-run growth." Handbook of economic growth 1: 385-472.

The power to reshape institutions and the balance of power may come from broader sources



One view of democratization: It is a product of incremental bargaining

- Sees elite control over the state as the product of their historical de facto power, cemented into institutions that protect these entrenched interests
- Shifts in the power of excluded groups prompt bargaining, because they can now credibly threaten the coalition
- This bargaining process may break down into violence, since it is hard to find new bargains with credible commitment for both sides
- To strike a new bargain, the minimum number of people are admitted into the coalition, enough to diffuse the credible threat posed
- Formal and informal institutions are adapted to cement this new coalition

II. A simple model for thinking about sources of citizen power

Exit, Voice & Loyalty

Where does the citizen's political power come from?

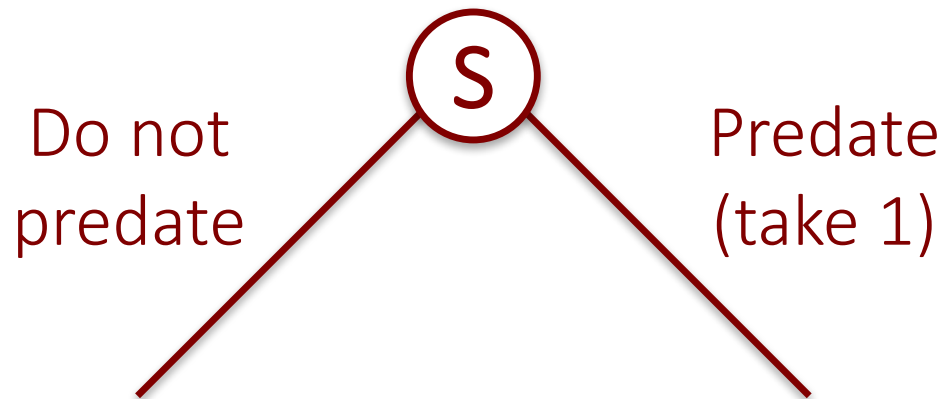
Two answers: "Exit" and "Voice"

1. Exit: evade or run away
 - A reflection of material power: limits on the ruler's ability to extract rents
2. Voice: Complaining, lobbying, protesting, revolt and other direct action, individual and collective
 - A reflection of the power to mobilize and (in some instances) the ability to use coercion and violence
3. Loyalty: Accept the change

Examples of exit, voice and loyalty (from Clark, Golder & Golder)

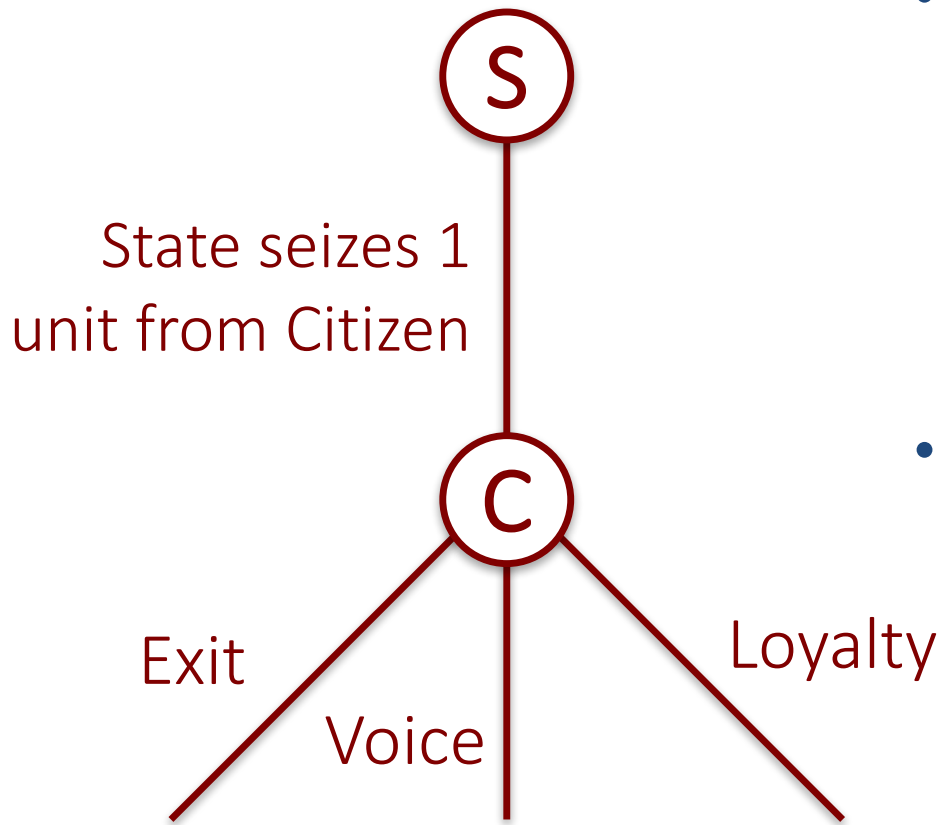
<i>Stimulus</i>	EXIT	VOICE	LOYALTY
State increases taxes	Reallocate portfolio to avoid tax increase	Organize or join tax revolt	Pay taxes and keep your mouth shut
State rules that prayer in public school is unconstitutional	Home school your children	Lobby the government to change the constitution	Keep your children in the public school system and keep your mouth shut
State bans handguns	Move to a different state	Join the NRA or a militia group to pressure the state to reverse the policy	Turn in your handguns and keep your mouth shut
State devalues currency	Buy goods that are not imported	Lobby the government to change its policy	Continue to buy imports and keep your mouth shut

The game assumes a state—a stationary bandit—has the option to predate on its society



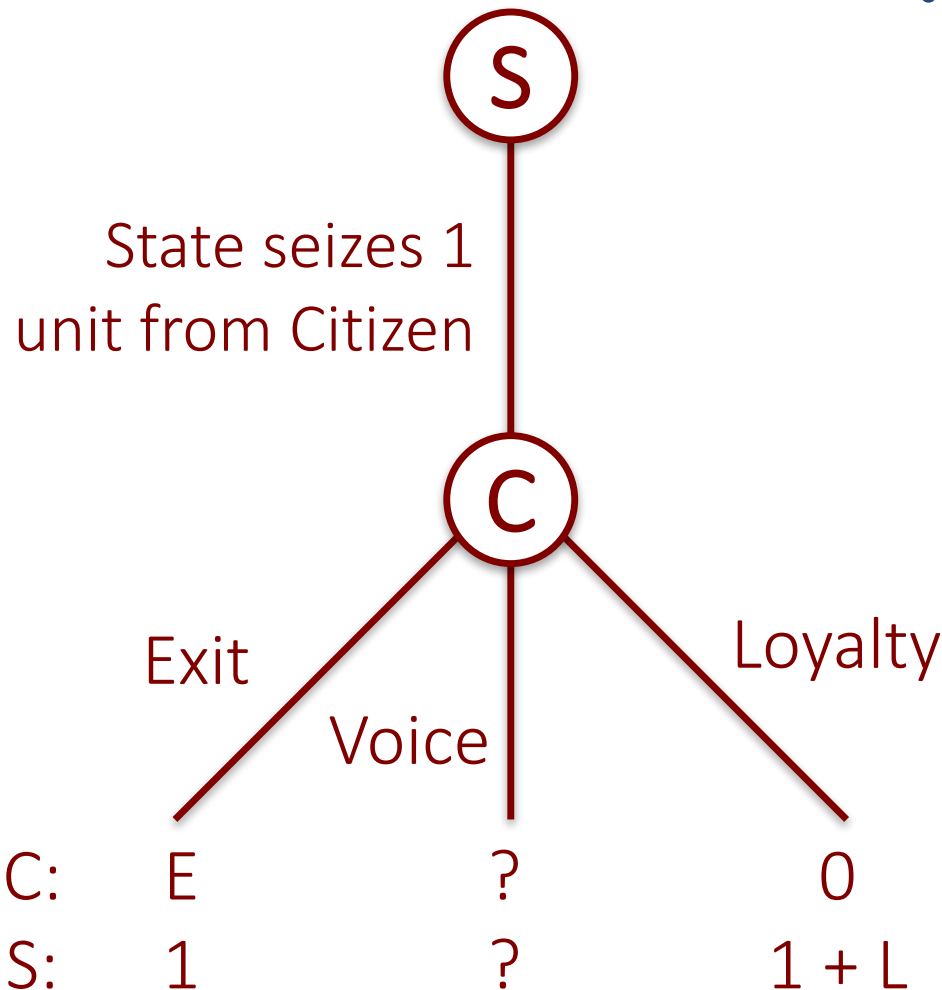
- Parallels our Olsonian stationary bandit model
 - Tax moderately and provide order, or coerce and extract/pillage

The difference with the EVL model is now the bandit takes the citizen's reaction into account



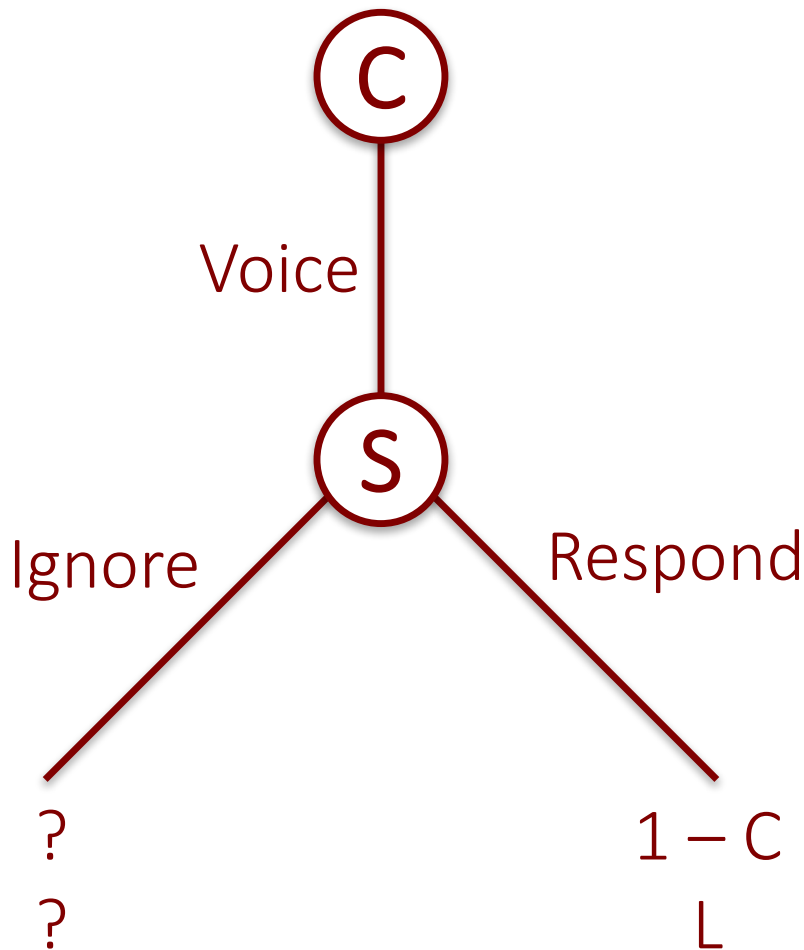
- State seizes taxes from citizen
 - We can think of these as especially punitive taxes, or attempts to pillage and plunder
 - Thus 0 does not imply no taxes, 1 represents excessive taxation
- The state knows that the citizen can:
 - Run away or evade taxes
 - Protest or revolt
 - Do nothing

Thus when the State extracts, it starts a game with the Citizen



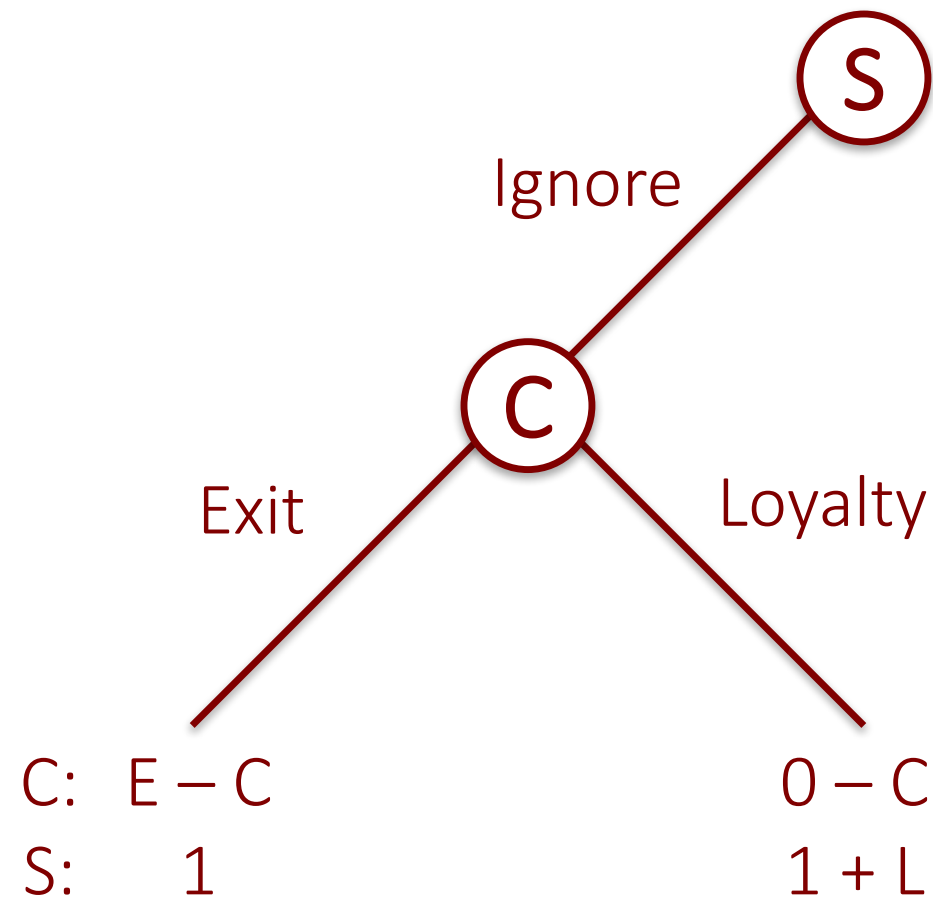
- The state also knows that the citizen will try to choose her best option:
 - Exit for benefit E
 - E could be >0 or <0
 - Use voice to get 1 back
 - e.g. protest
 - Do nothing, and have default benefit 0
 - State gets benefit from loyal citizens, $L > 0$ (e.g. legitimacy)
 - i.e. A dependent or autonomous state

If citizens use voice, state chooses whether to respond or ignore



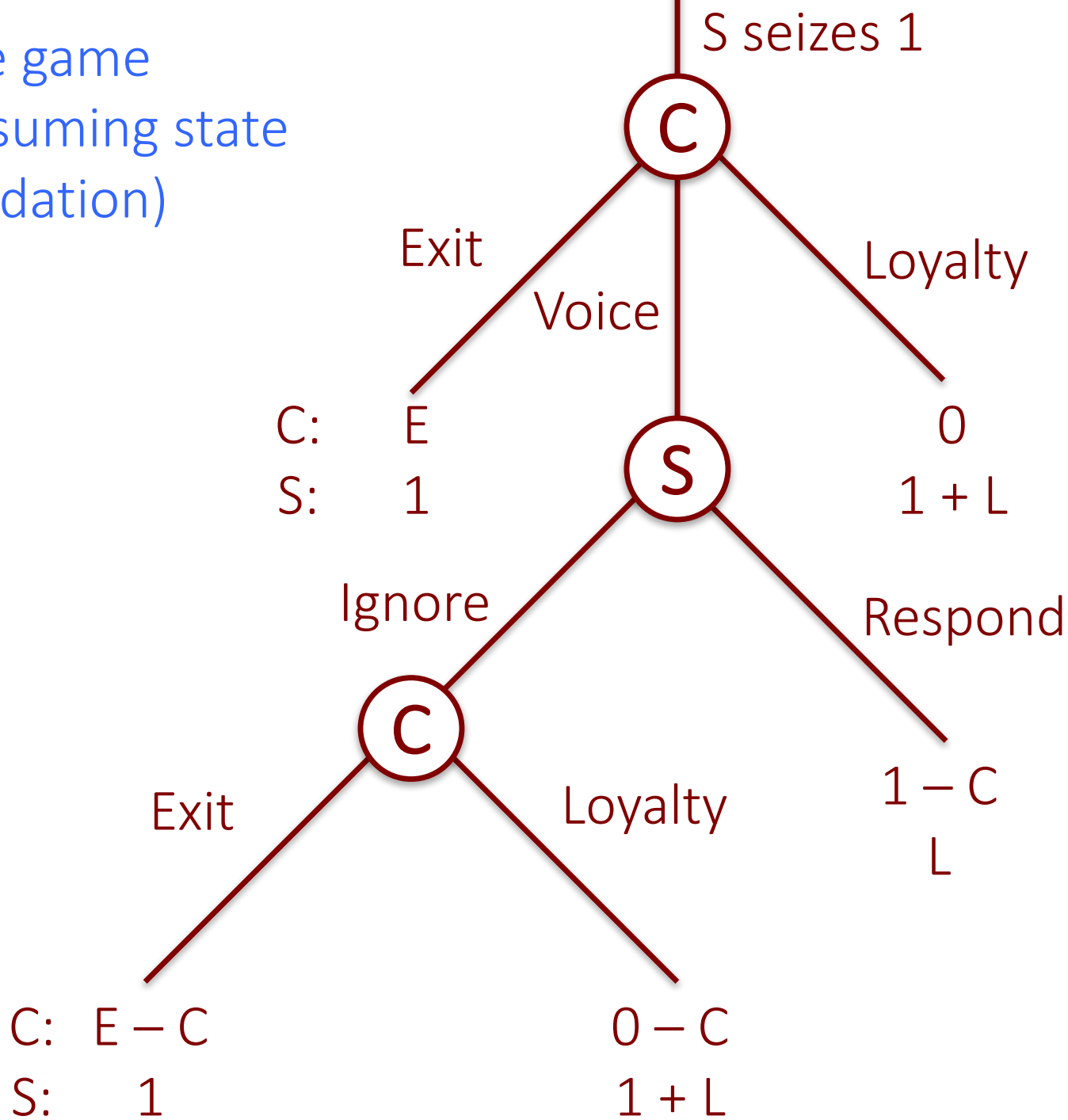
- Voice costs the citizen C , where $C > 0$
- If state responds, it returns 1 to citizen and gains L
 - $L > 1$ if dependent on citizens,
 $L < 1$ if autonomous
- But states can choose to ignore citizens, at the risk they will exit

Citizens have to decide whether to exit or accept the seizure

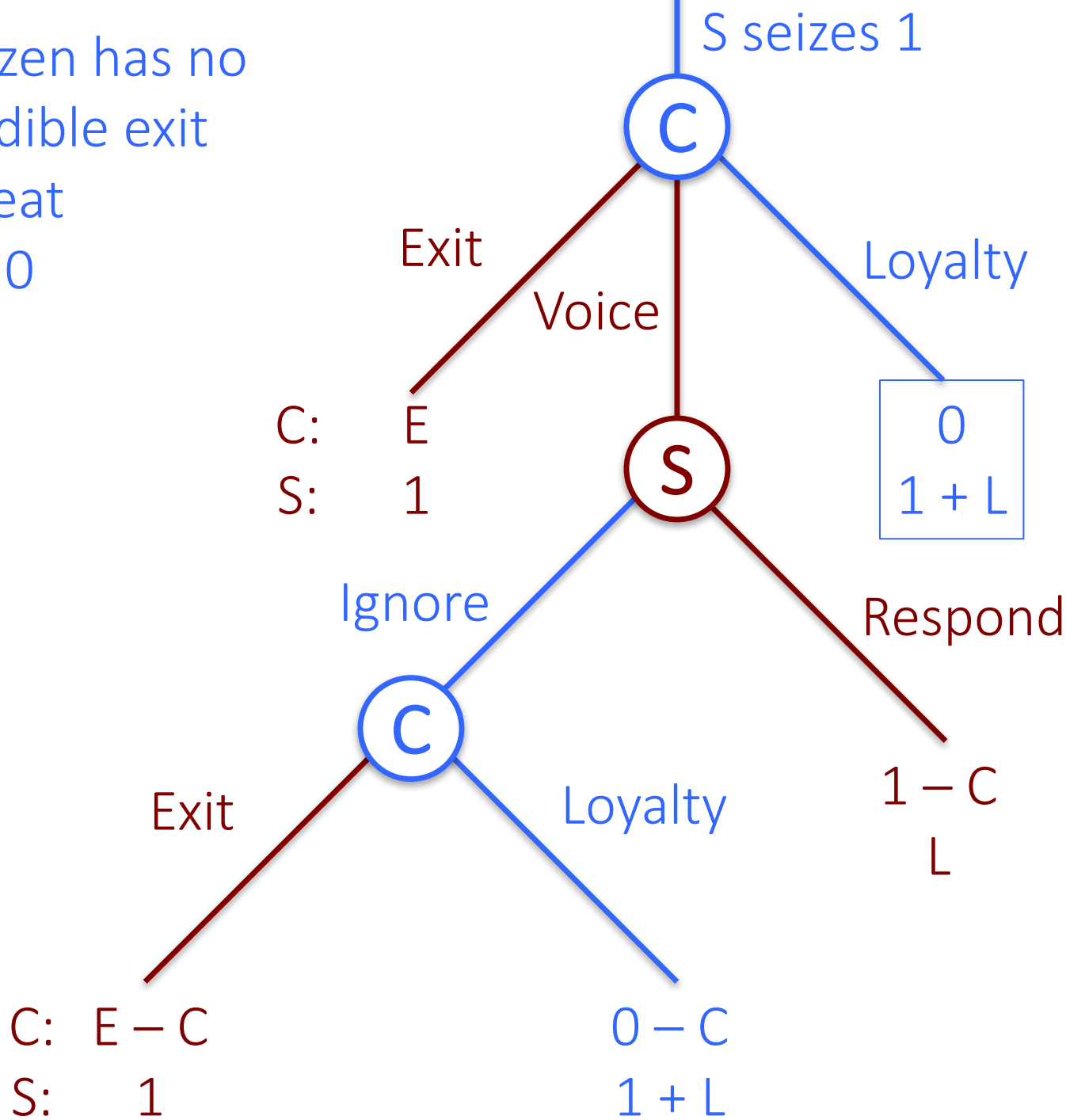


- Citizens can choose to exit or remain, having incurred cost C
 - In principle could add voice again, but this would not change results (would only add a stage of the game)
- Note: this decision depends crucially on exit value and voice costs

The game
(assuming state
predation)

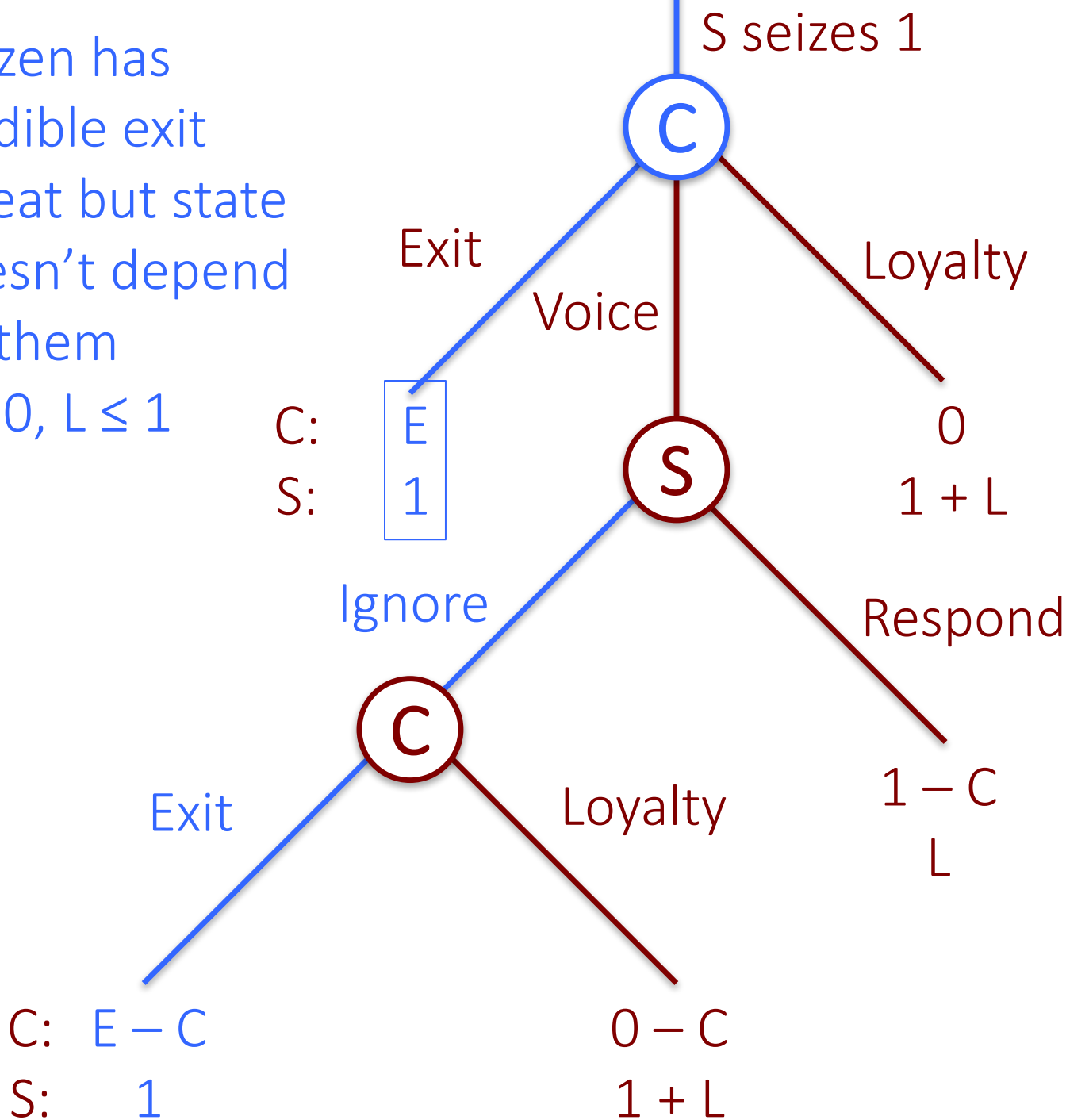


Citizen has no credible exit threat
 $E \leq 0$



Citizen has credible exit threat but state doesn't depend on them

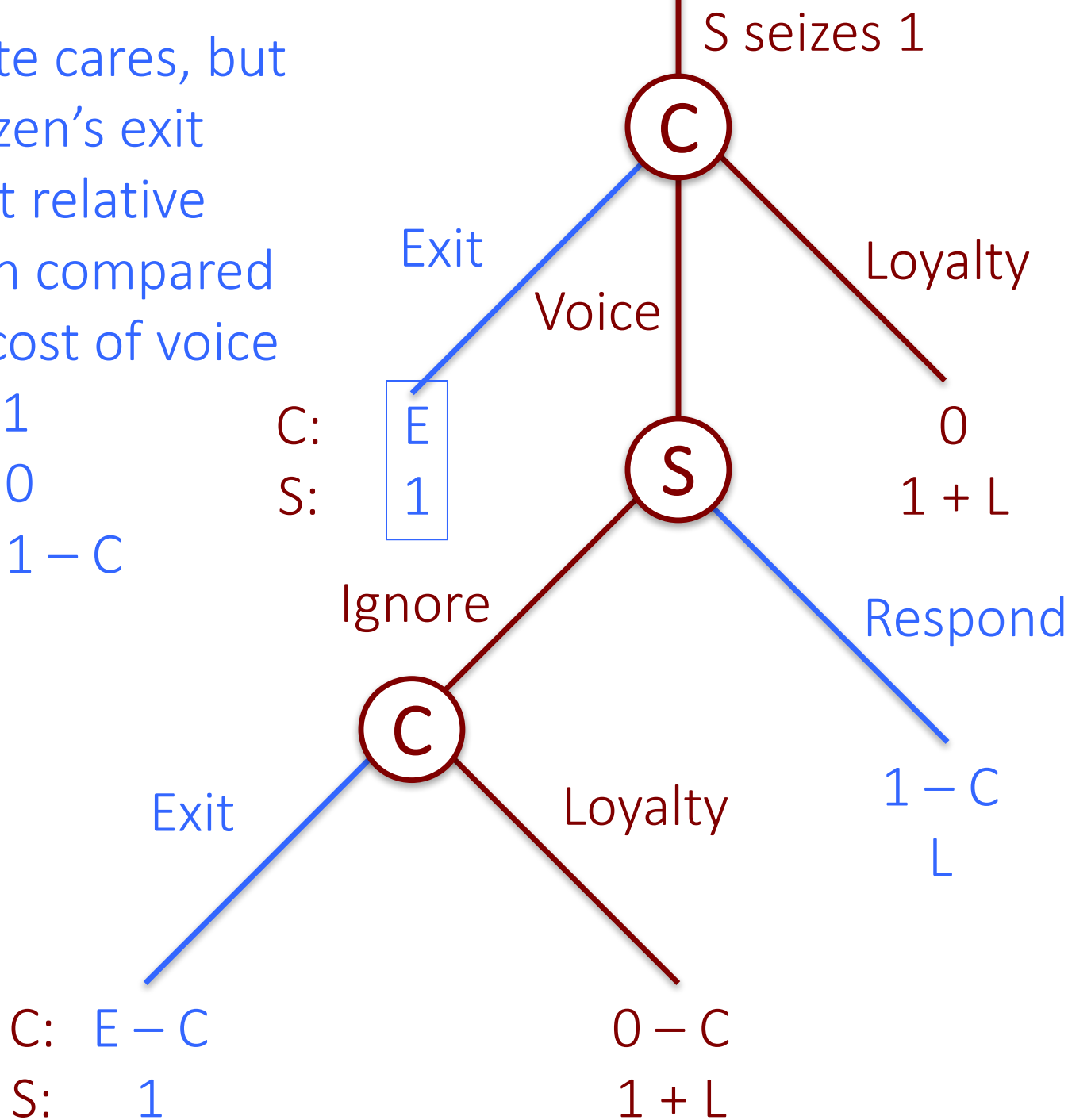
$$E > 0, L \leq 1$$



C: E
S: 1

State cares, but
 citizen's exit
 cost relative
 high compared
 to cost of voice

$L > 1$
 $E > 0$
 $E > 1 - C$

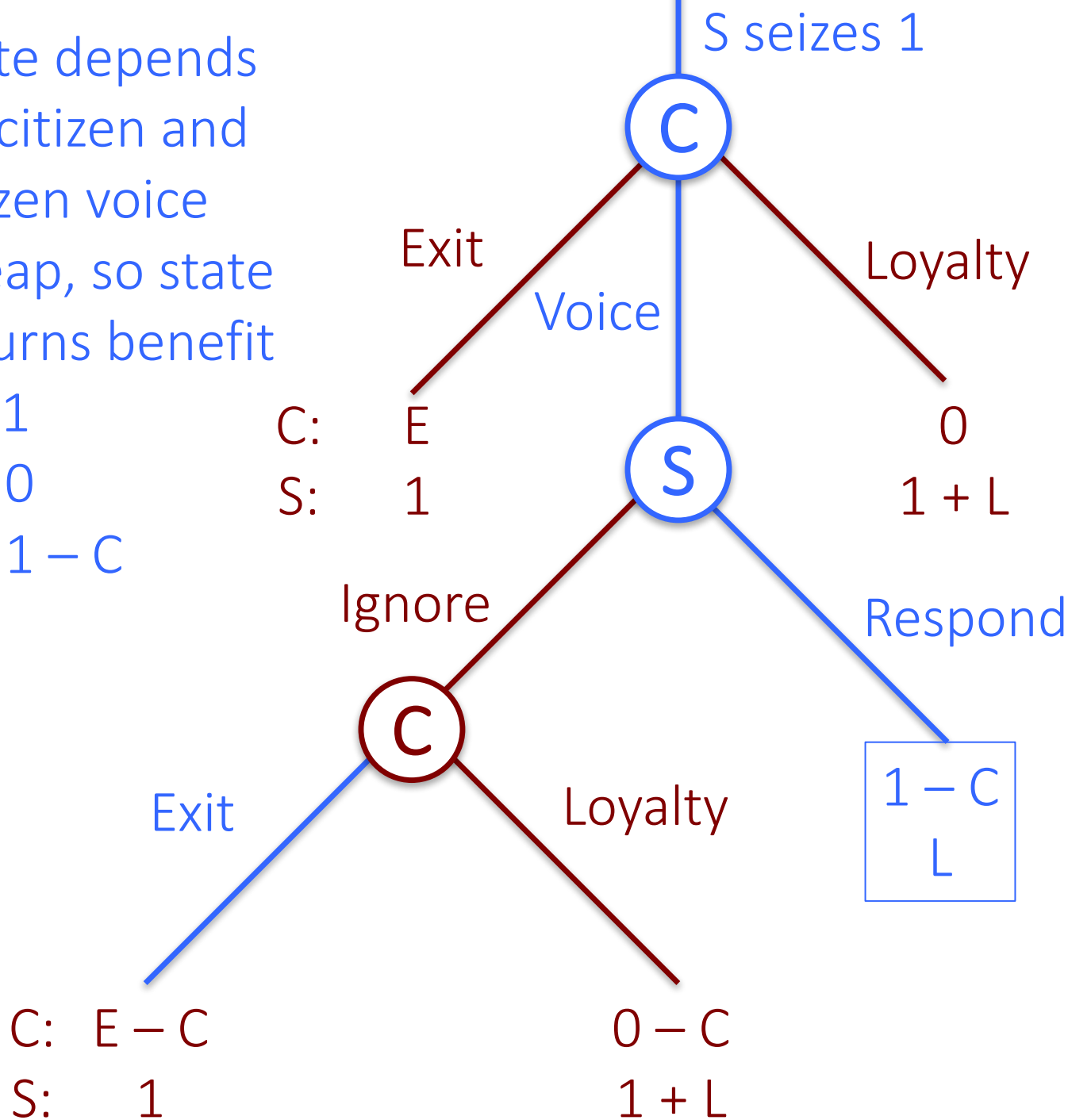


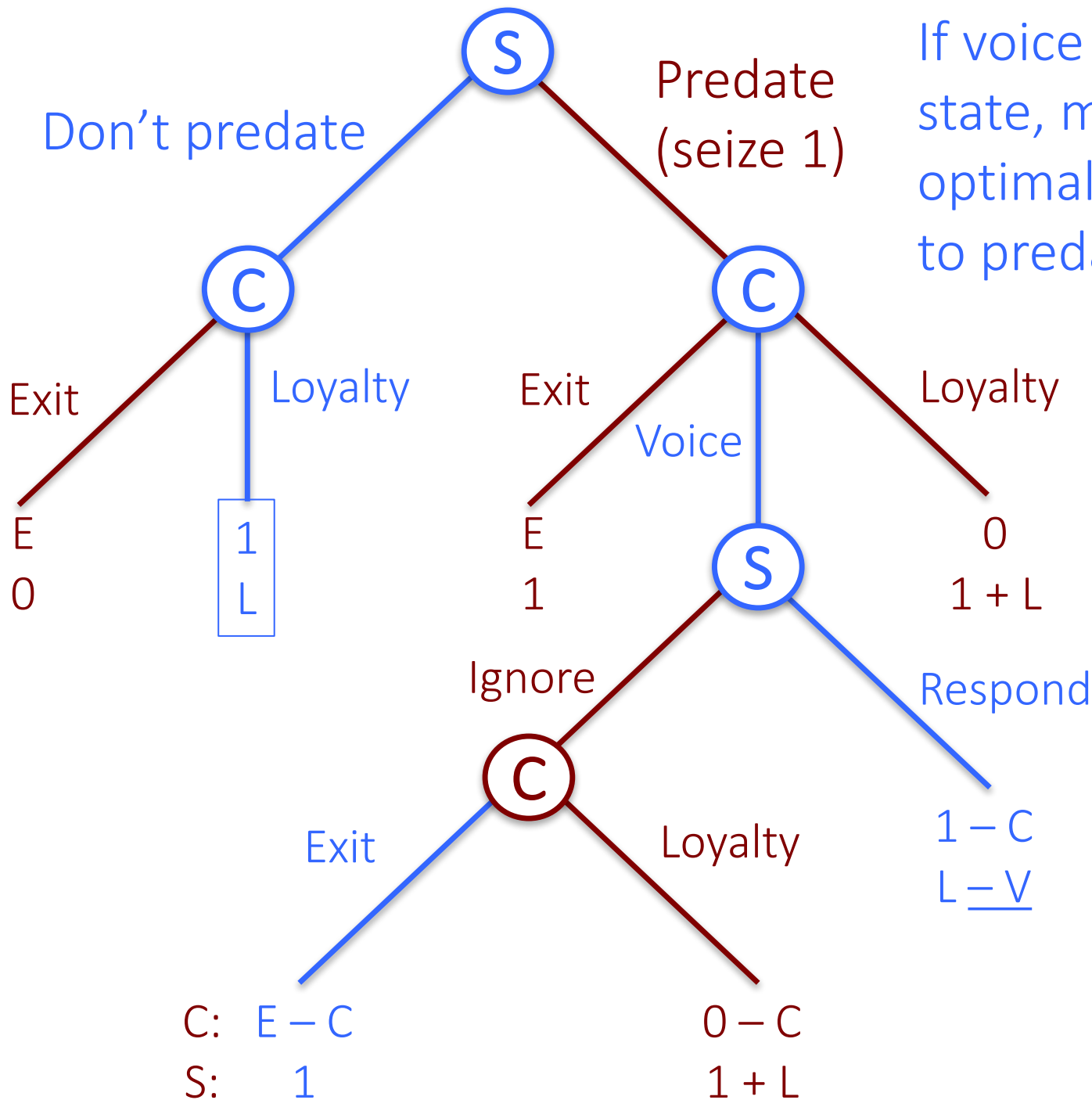
State depends on citizen and citizen voice cheap, so state returns benefit

$$L > 1$$

$$E > 0$$

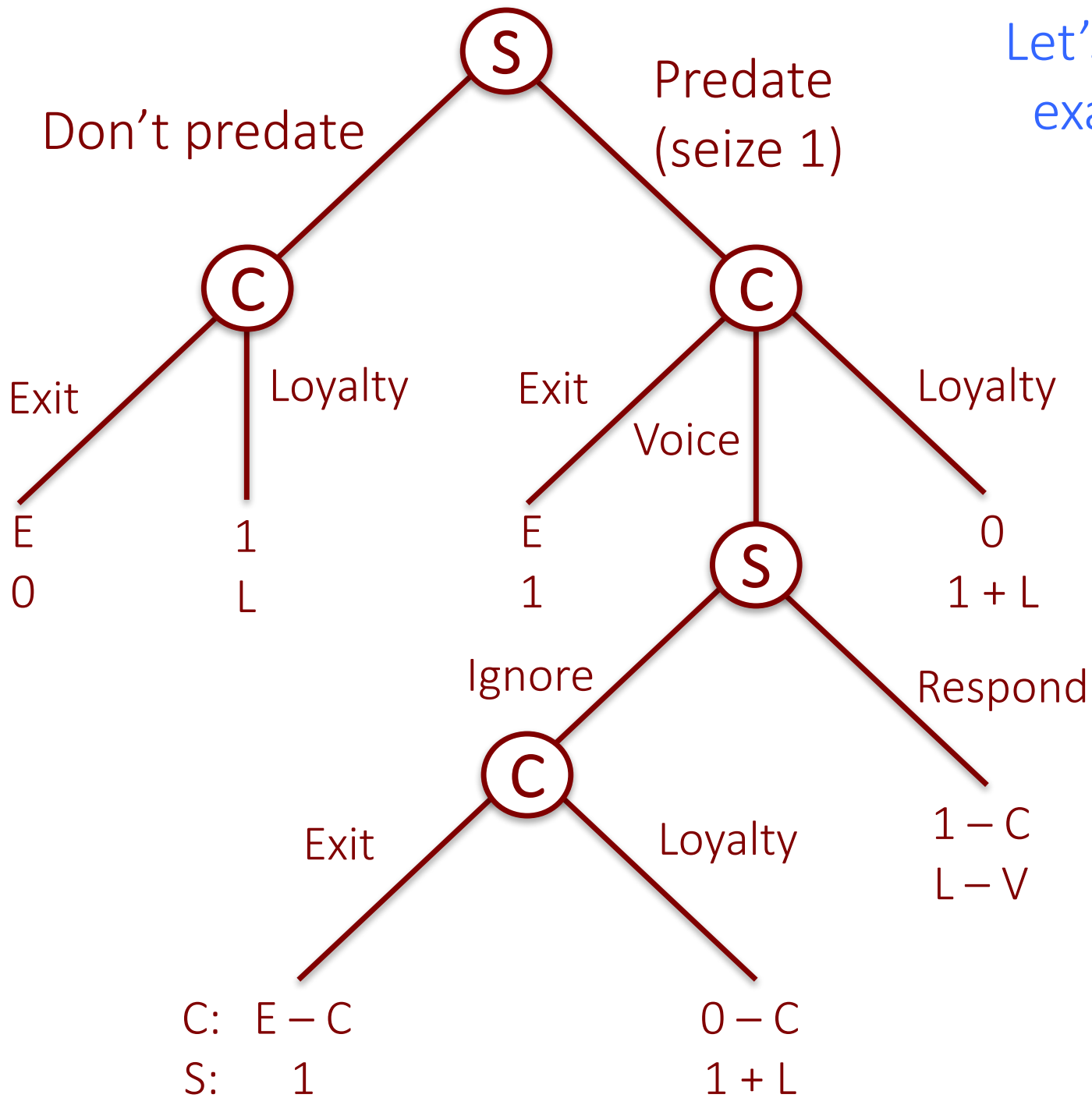
$$E < 1 - C$$



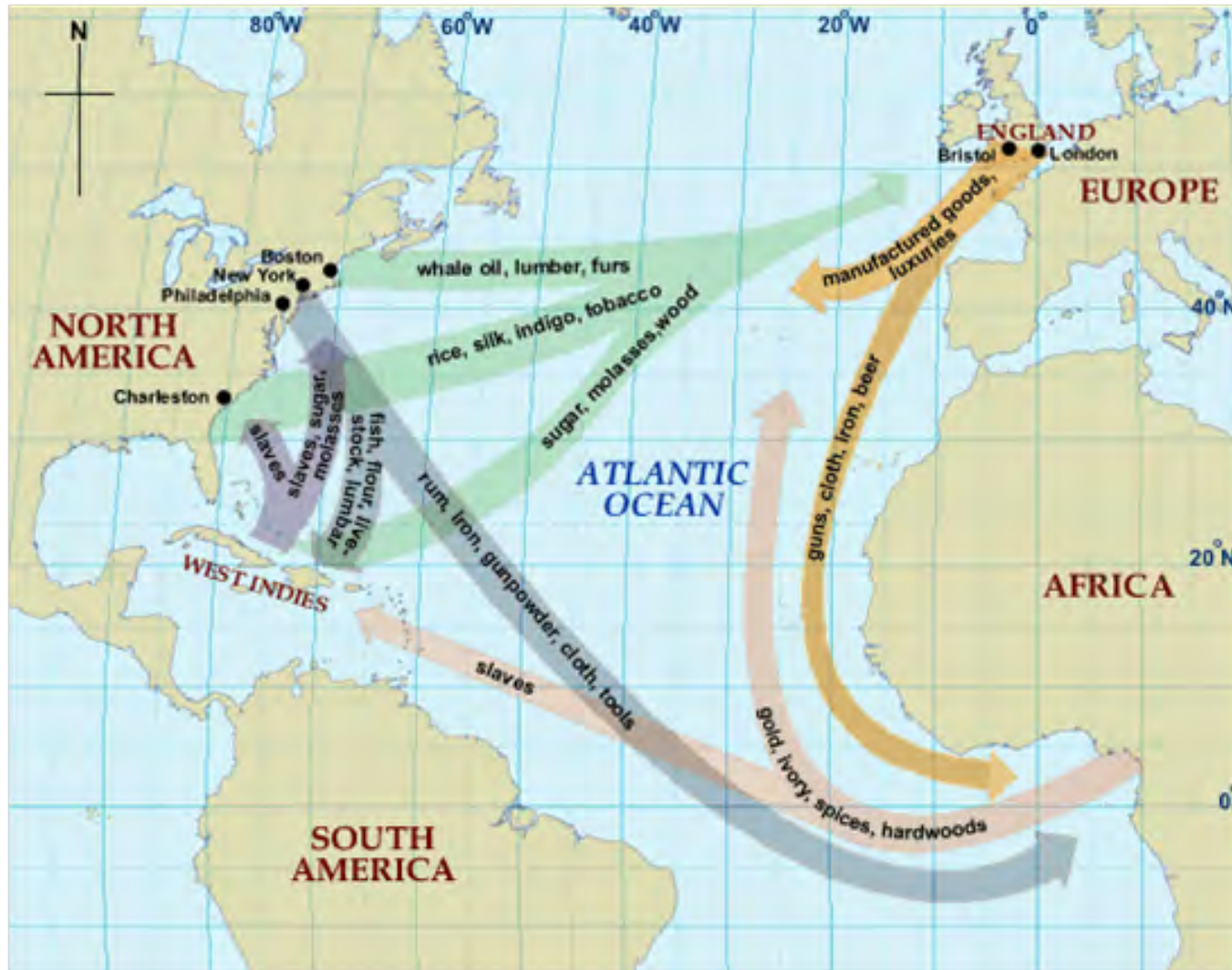


If voice costs state, may not be optimal for state to predate at all

Let's do an example



Recall the story of the profits that emerged from the Atlantic trade



An example from Western Europe 1000-1900: Very different limited access orders emerged

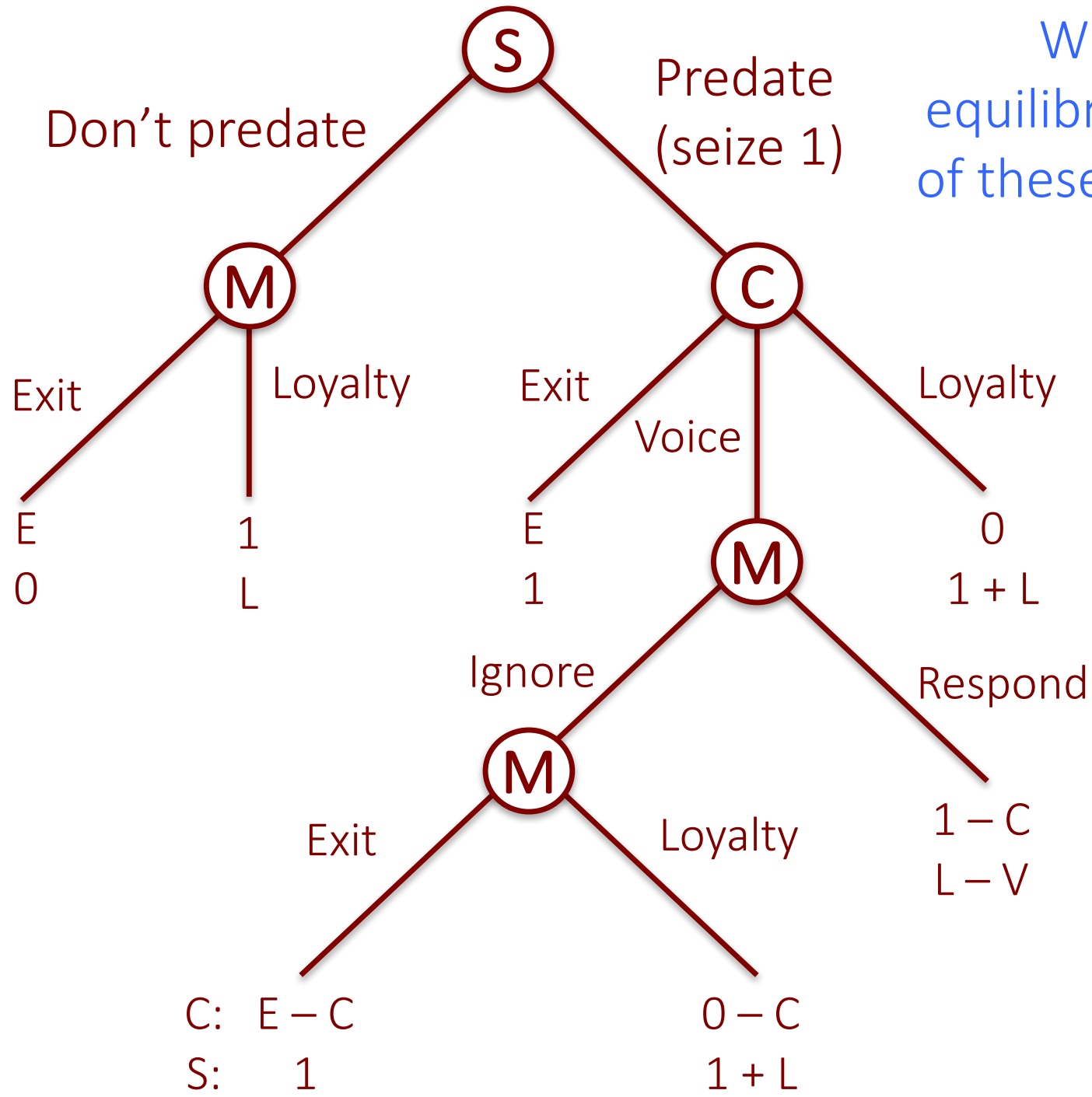
- **England and Netherlands:**
Merchants and commercial nobles controlled much of the Atlantic trade, and eventually developed constitutional governance over monarch
- **France, Spain, and Portugal**
The Crown controlled the trade, and moved towards more centralized absolutism



Merchants were absorbed into the English elite and Parliament because of growing economic power

- Increasingly powerful merchants who push for more capitalist institutions against the efforts of the aristocracy
- A failure to find credible, sustainable bargains results in fighting
- Parliamentary constraints on the ruler, new norms, and laws protecting property rights all help to provide credible commitment
- Thus institutions emerge as a result of political conflict between the monarch and merchant class
- But, still very much a limited access order
 - But one that had “doorstep conditions” for more open, competitive, democratic capitalist institutions

What are the equilibria for each of these cases and why?



III. Exit, Voice & Loyalty elaborated

The EVL model tells us that citizens (or the out group) will have “political power” when...

- States are dependent on citizens ($L > 1$)
- Citizens have credible exit options ($E > 0$)
- Voice is not costly to exercise, but may be costly to state (low C , high V)

But when will this be?

Illustrations

1. Exit
2. Loyalty
3. Voice

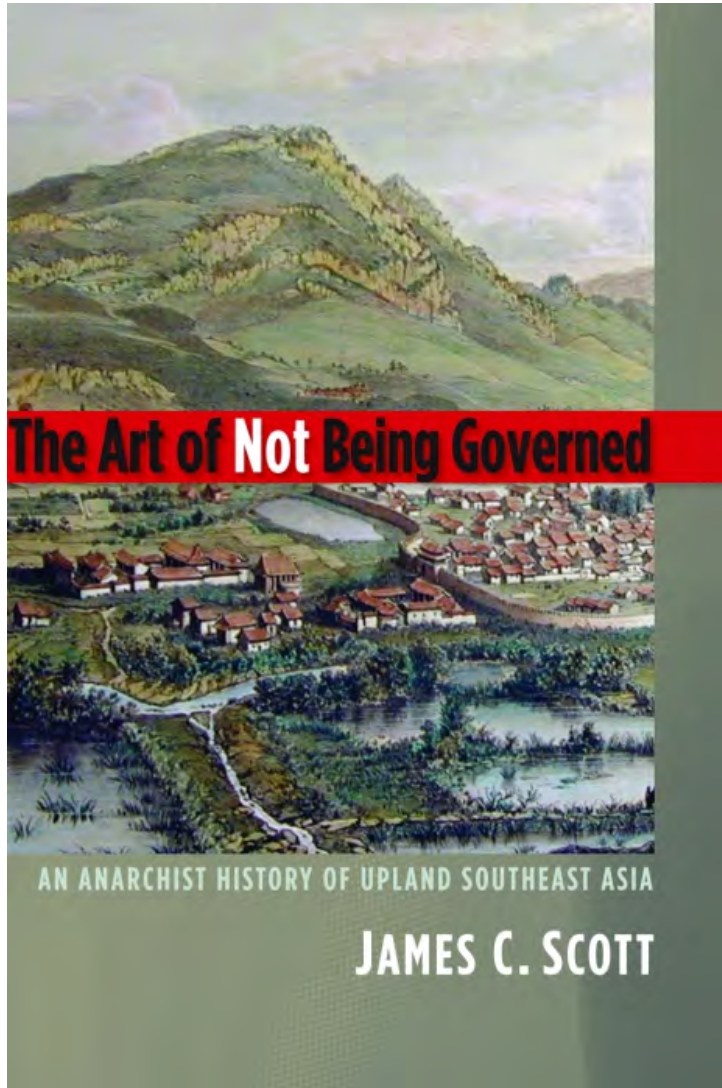
Jim Scott highlights how most states for most of history have been coercive and extractive



“Much, if not most, of the population of the early states was unfree; they were subjects under duress.”

...Living with the state meant, virtually by definition, taxes, conscription, corvee labor, and, for most, a condition of servitude.”

One response was simply to run away

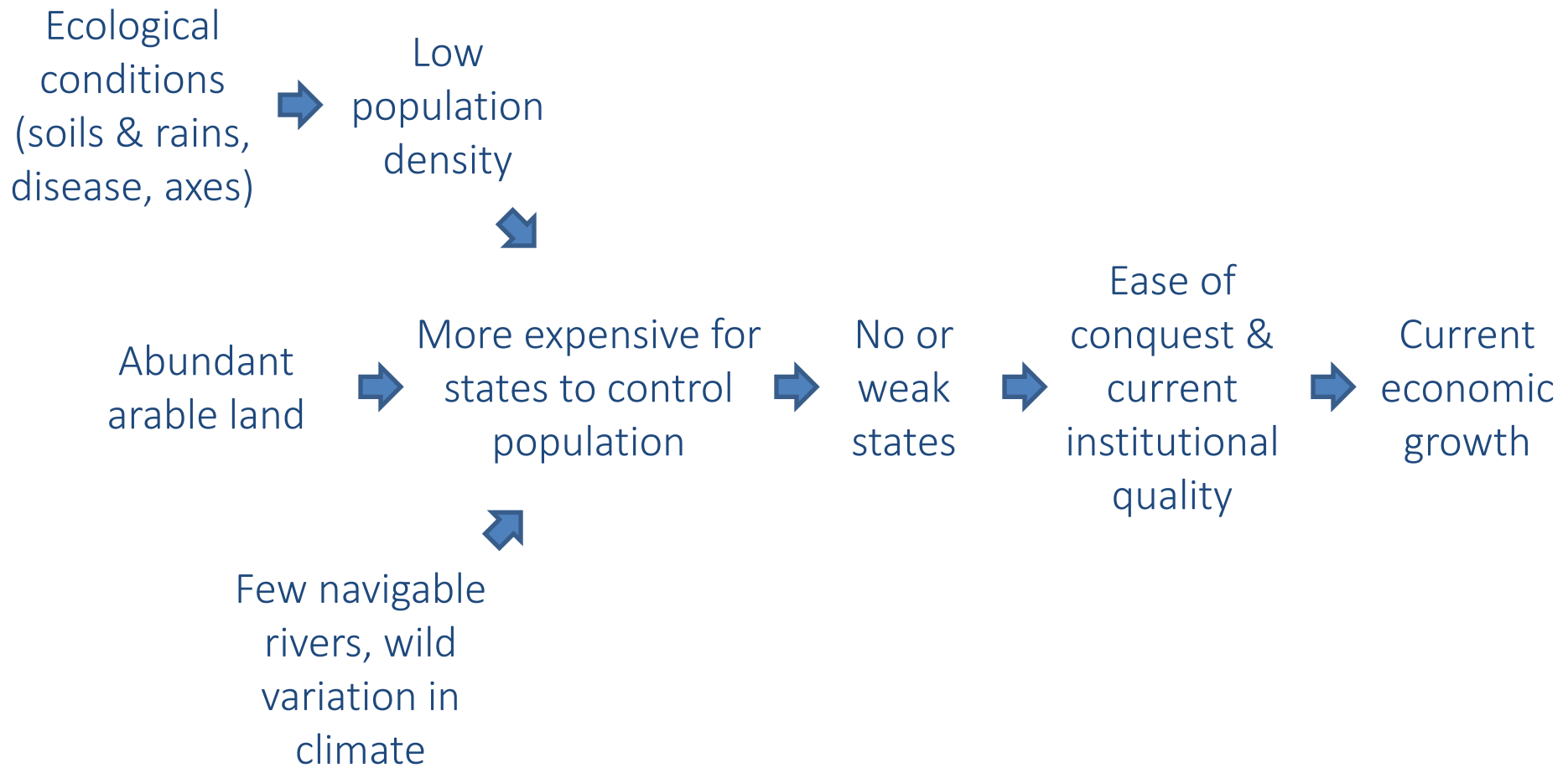


“At a time when the state seems pervasive and inescapable, it is easy to forget that for much of history, living within or outside the state... was a choice...

...it was very common for state subjects to run away. Living with the state meant, virtually by definition, taxes, conscription, corvee labor, and, for most, a condition of servitude.

...When these burdens became overwhelming, subjects moved with alacrity to the periphery or to another state.”

We have seen exit before: It played a key role in Herbst's account of statebuilding in Africa



Secession is a kind of exit, and its credible threat is an instrument of bargaining

IN CONGRESS, JULY 4, 1776.
A DECLARATION
BY THE REPRESENTATIVES OF THE
UNITED STATES OF AMERICA,
IN GENERAL CONGRESS ASSEMBLED.

WHEN in the Course of human Events, it becomes necessary for one People "to dissolve the Political Bands which have connected them with another," and to assume among the Powers of the Earth, the separate and equal Station "to which the Laws of Nature and of Nature's God entitle them," a decent Respect to the Opinions of Mankind requires "that they should declare the causes which impel them to the Separation.

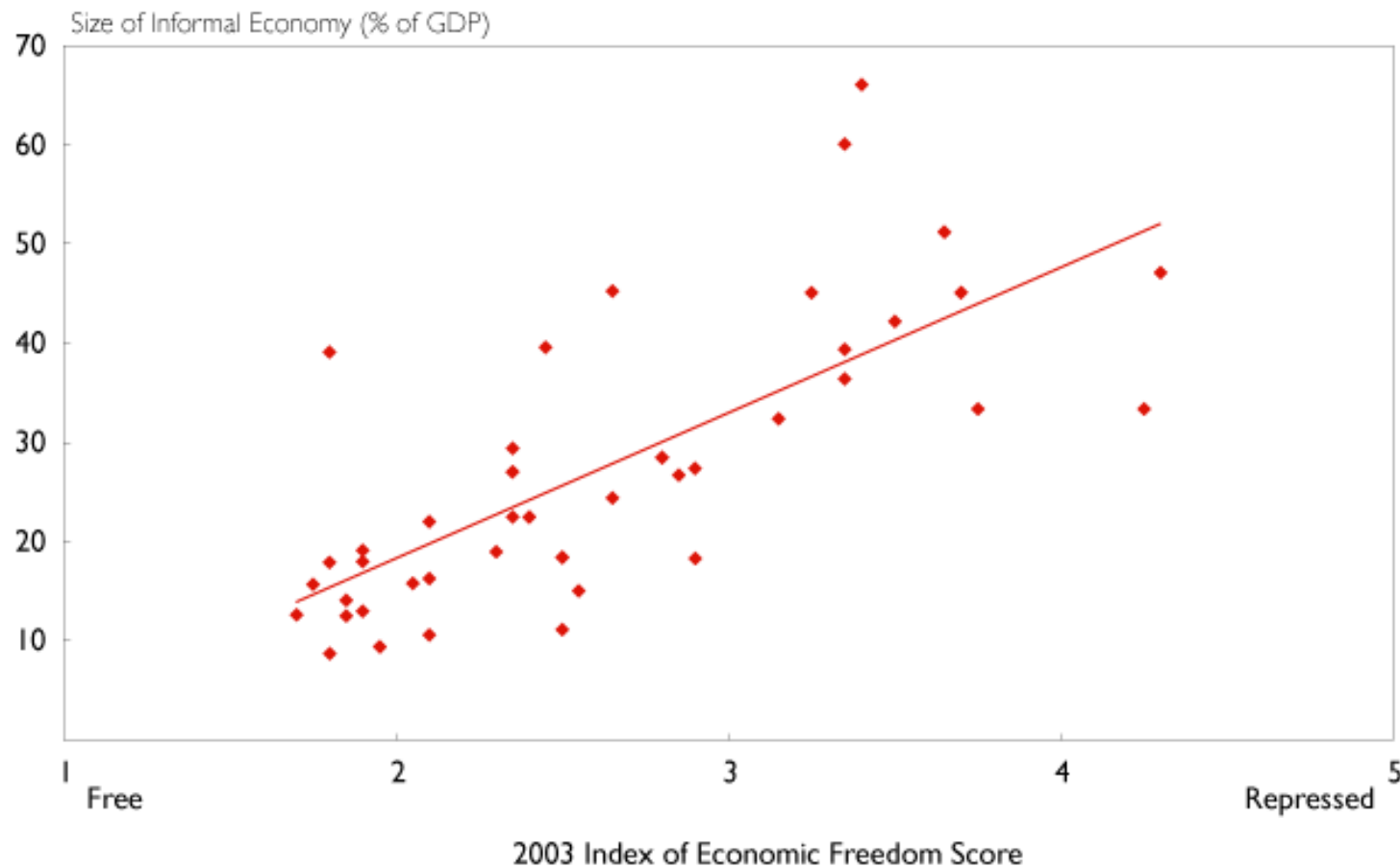
We hold these Truths to be self-evident, "that all Men are created equal," "that they are endowed by their Creator with certain unalienable Rights," that among these are Life, Liberty, and the Pursuit of Happiness--That to secure these Rights, Governments are instituted among Men, "deriving their just Powers from the Consent of the Governed," that whenever any Form of Government becomes destructive of these Ends, "it is the Right of the People to alter or to abolish it, and to institute a new Government, laying its Foundation on such Principles, and organizing its Powers in such Form, as to them shall seem most likely to effect their Safety and Happiness." Providence, indeed, will dictate that Governments long established should not be changed for light and transient Causes; and accordingly all Experience hath shewn, that Mankind are more disposed to suffer, while Evils are sufferable, than to right themselves by abolishing the Forms to which they are accustomed. But when a long Train of Abuses and Usurpations, pursuing their natural Course, evinces a Design to reduce them under absolute Despotism, it is their Right, it is their Duty, to throw off such a Government, and to institute new Legislation, by which they may be reduced to those former Principles, on which their Peace and Safety may be most effectually secured.

But exit need not be physical

<i>Stimulus</i>	EXIT	VOICE	LOYALTY
State increases taxes	Reallocate portfolio to avoid tax increase	Organize or join tax revolt	Pay taxes and keep your mouth shut
State rules that prayer in public school is unconstitutional	Home school your children	Lobby the government to change the constitution	Keep your children in the public school system and keep your mouth shut
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You could view the informal economy as a form of exit from the purview of the state

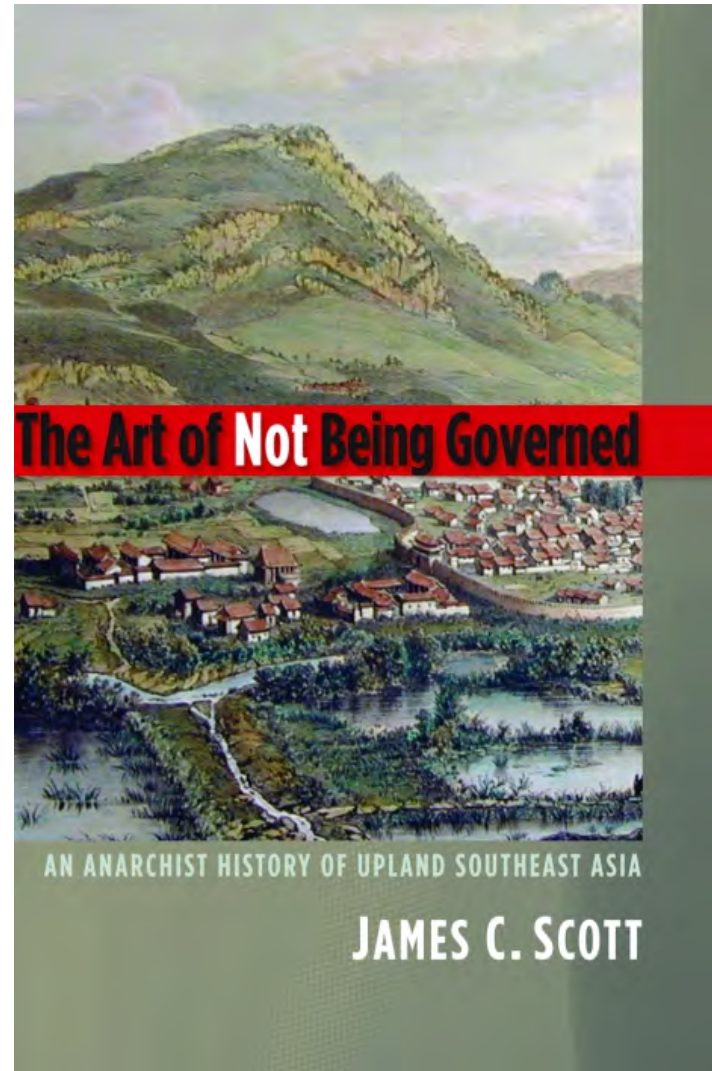
Economic Freedom and the Size of the Informal Economy



Note: Data for 22 Transition Economies is 2000/01 average, and data for 21 OECD countries is 2001/02 average.

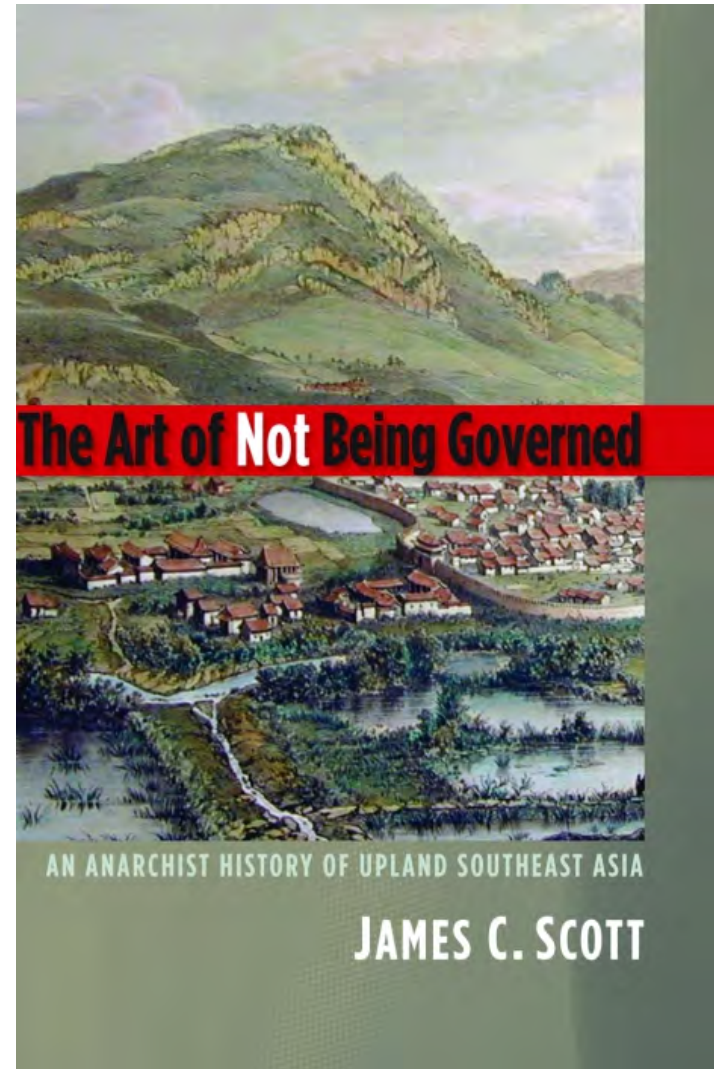
Indeed, Scott argues that entire forms of social organization were (adaptively) forms of exit

Their subsistence routines, their social organization, their physical dispersal, and many elements of their culture, far from being the archaic traits of a people left behind, are purposefully crafted both to thwart incorporation into nearby states and to minimize the likelihood that statelike concentrations of power will rise among them.



His key insight is that features of “barbaric” societies that make them hard to rule are adapted responses

- These societies have a long history of avoiding a coercive state
- “Barbarians” by choice, to put distance between them and lowland states
- Culture has adapted to make legibility and control difficult
 - Crops that are difficult to count and tax
 - Yams versus corn
 - Lack of stable location
 - Mobile herding versus settled agriculture
 - Lack of stable naming conventions



Illustrations

1. Exit
2. Loyalty
3. Voice

When are states dependent or autonomous from its citizens?



One view of L: the present value of any taxes lost if the citizen stops producing taxable goods or runs away

More dependent on citizens

- Easy versus hard-to-tax forms of agriculture
 - Horticulture (coffee, fruit trees, cocoa): valuable, easy to tax
 - Yams and potatoes: easy to hide
 - Sheep: easy to move
- Manufacturing: Large firms who will move location or reduce production under heavy taxation or coercion
- Large informal sector or black market for formal firms and workers to shift into at will

More autonomous states

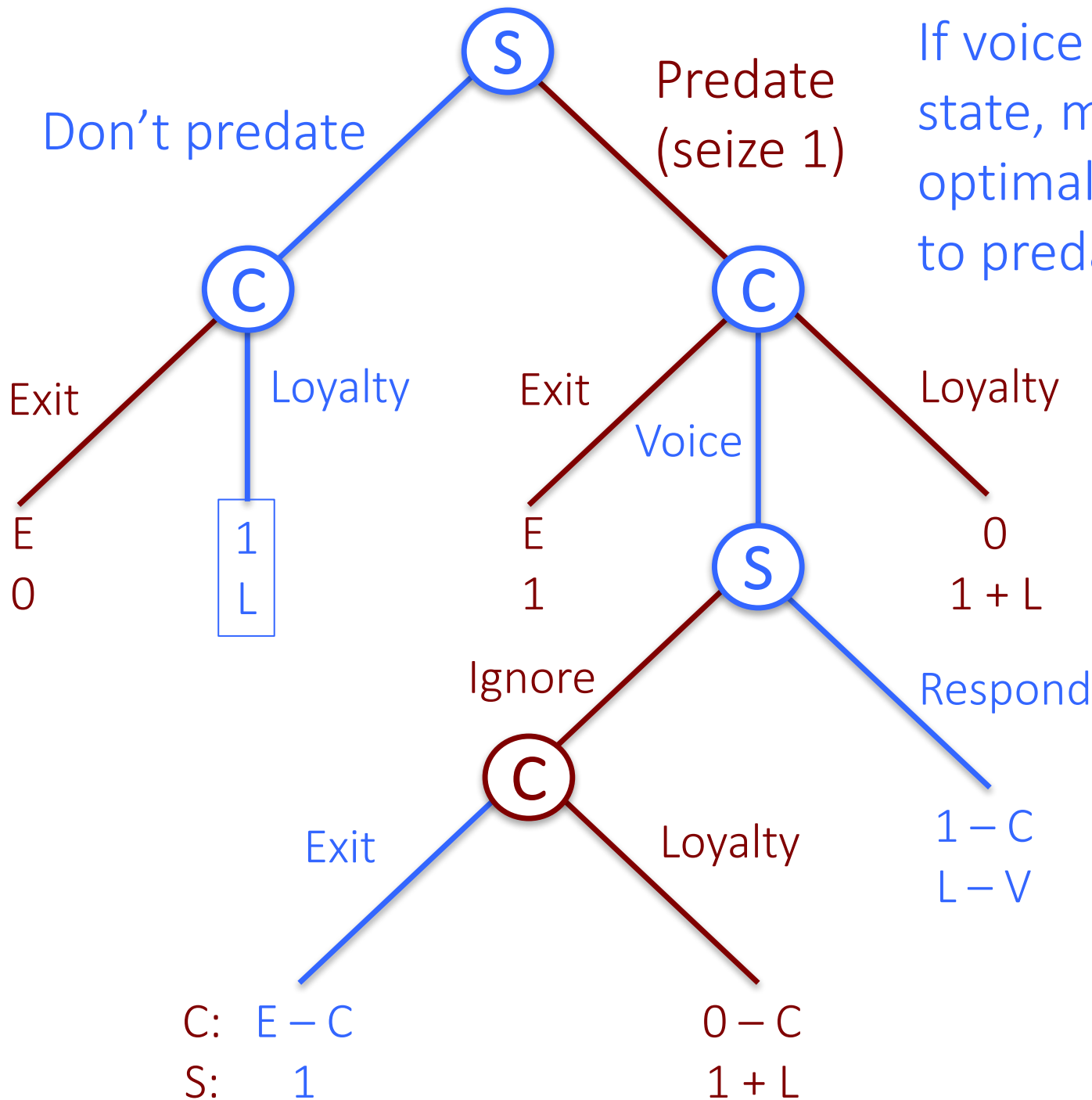
- Point resources
 - Oil wells
 - Mining and precious metals
 - Logging
- Trade taxes: Fairly hard for citizens to evade without stopping production
- Seignorage: Printing money
- High capacity to observe transactions
 - Formal financial system with elaborate record keeping

What will foreign aid do?

What about state legitimacy?

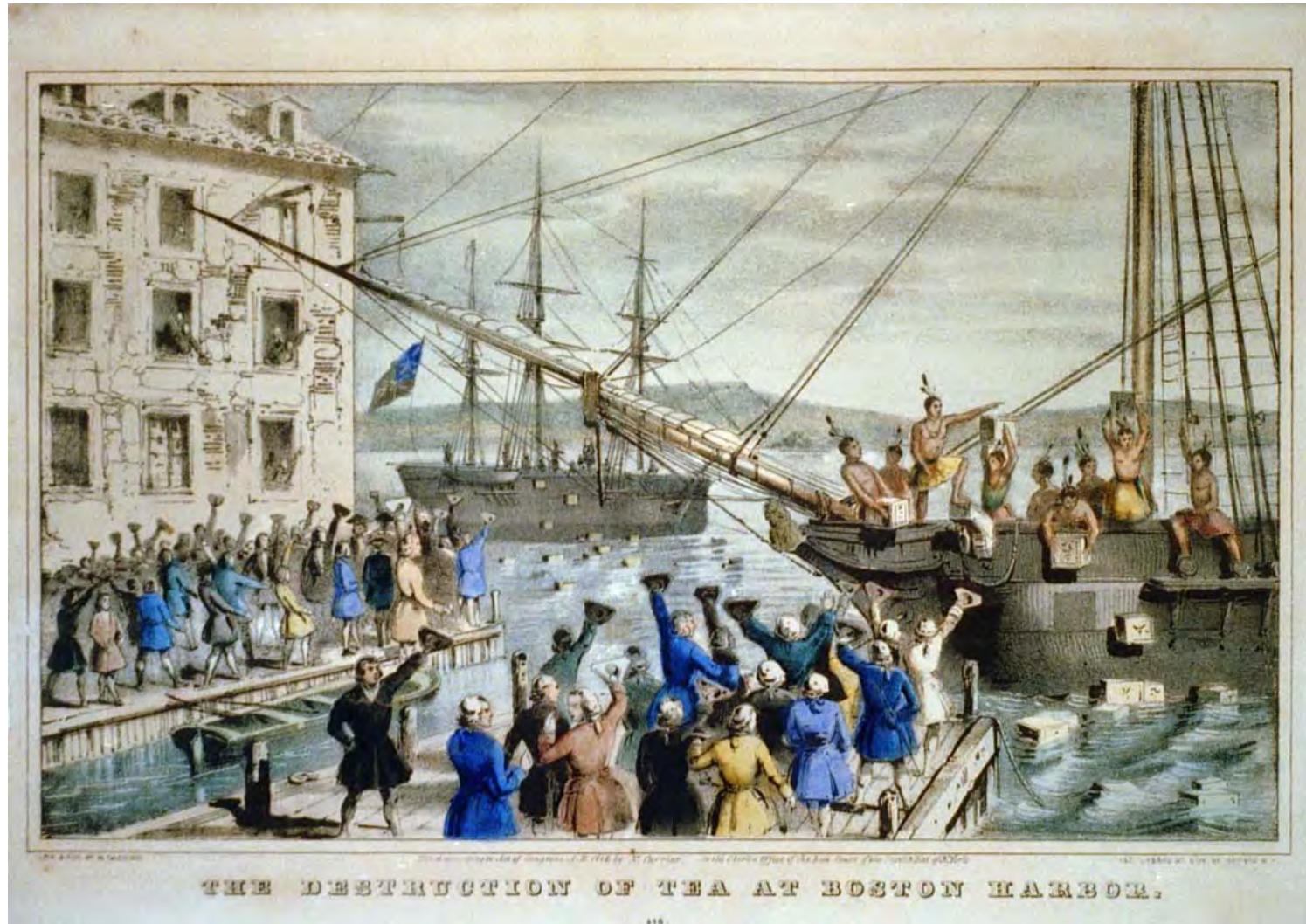
Illustrations

1. Exit
2. Loyalty
3. Voice



If voice costs state, may not be optimal for state to predate at all

What is voice, how does it arise, and when is it costly to the state versus the citizen?



Voice has often been a response to coercive taxation

Ghandi's Salt March

- Act of nonviolent civil disobedience in colonial India
- Produced salt from seawater
- Was the practice of the local populace until British officials introduced taxation on salt production
- British deemed their sea-salt reclamation activities illegal, and then repeatedly used force to stop it

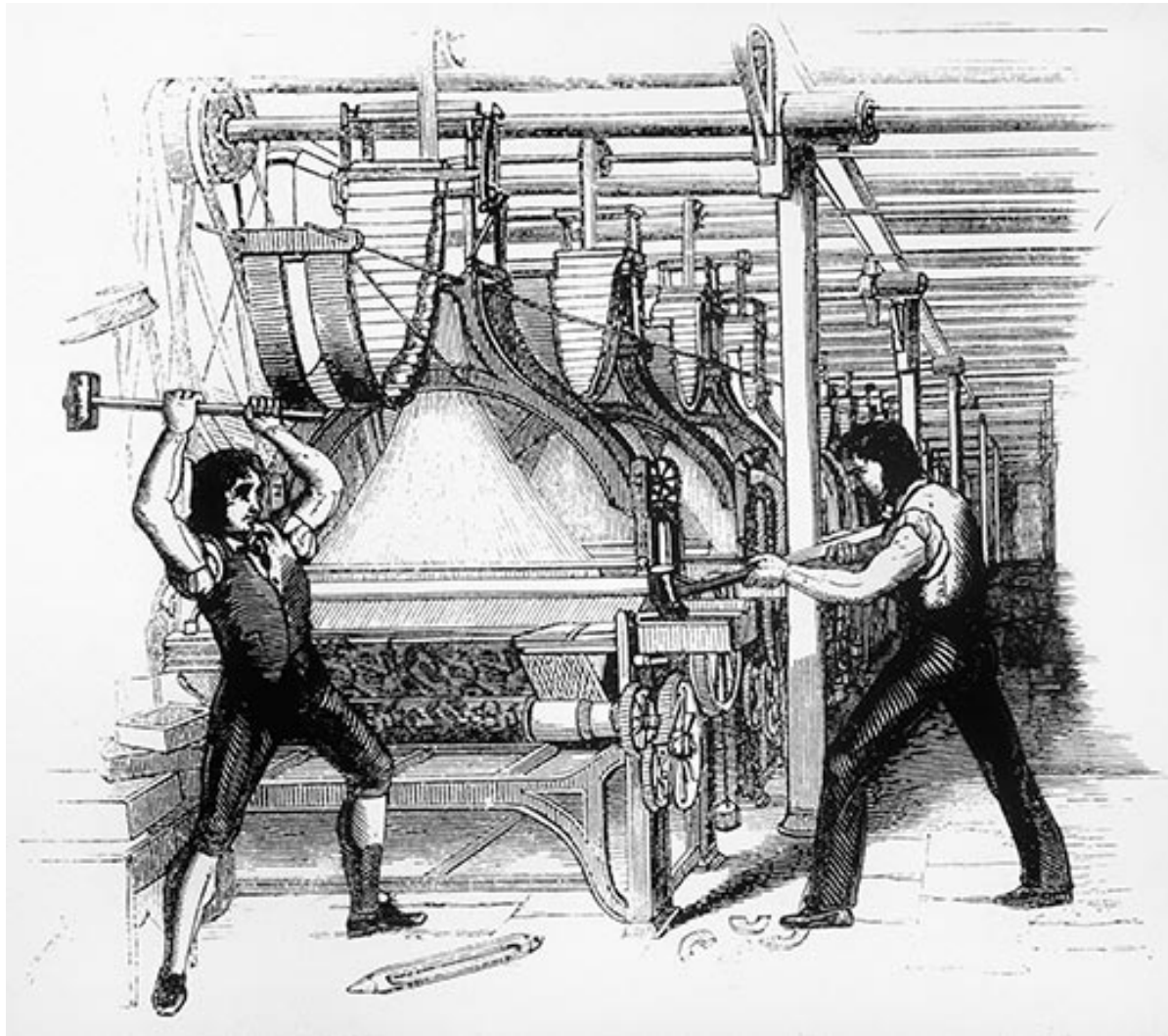


And a response to violence



Why and when is voice costly to the state?

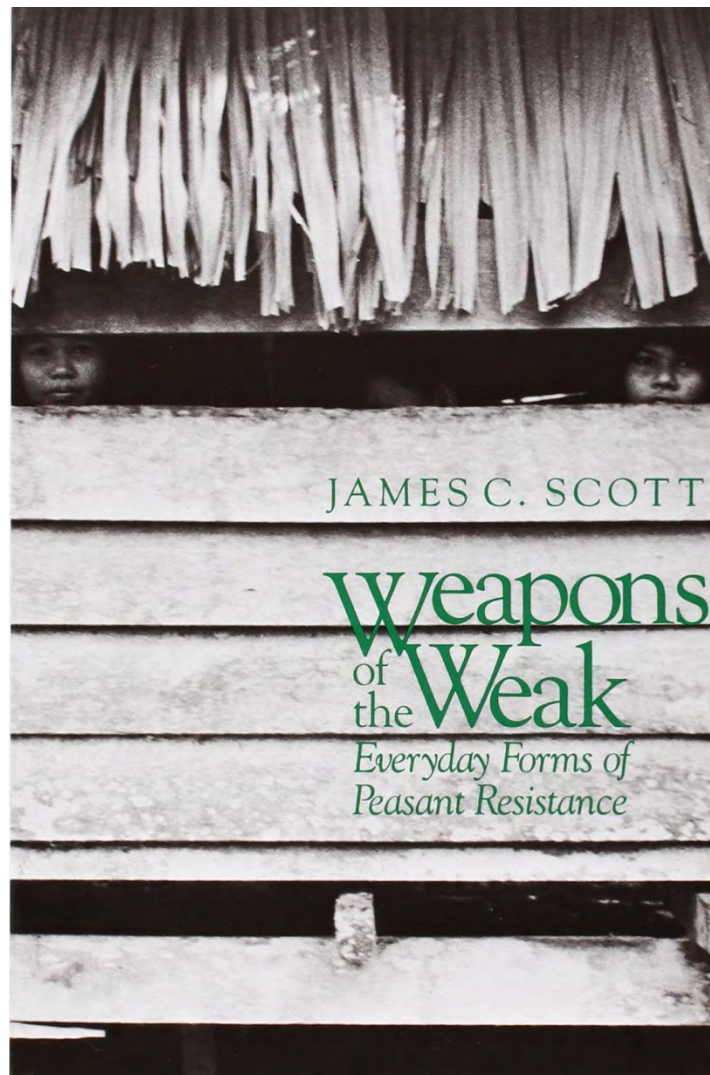
Property destruction, strikes, and some protests can have direct impacts on the assets and rents collected by ruling elites



Machine-breaking by British Luddites, 1812

Other direct costs are more subtle:
Weapons of the weak and “everyday resistance”

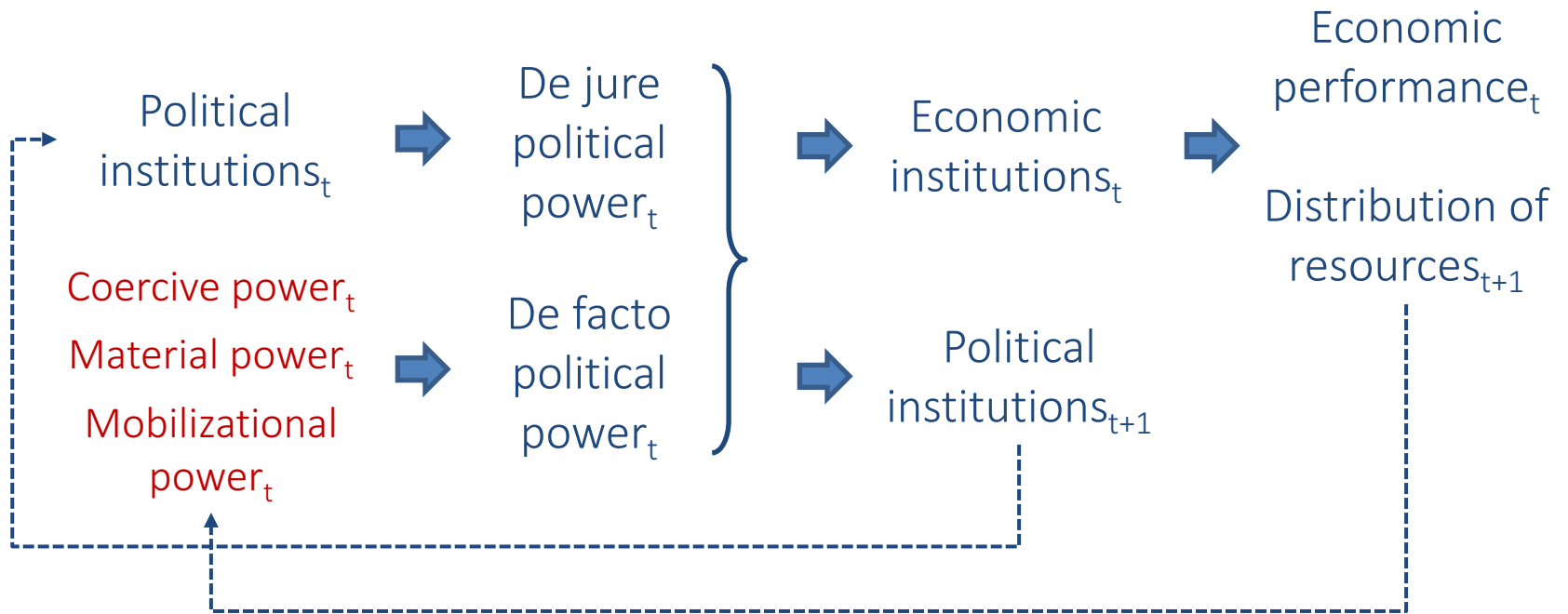
- Large-scale collective action is relatively uncommon
- Rather people respond to domination through cultural resistance and non-cooperation
 - Foot-dragging
 - Evasion
 - False compliance
 - Pilfering
 - Feigned ignorance
 - Slander, rumor, gossip
 - Sabotage



These direct costs (and civilian bargaining power) are greater when rents depend on civilian cooperation, investment, and productivity



Other forms of voice are costly to the elites because they threaten to overturn the system, or otherwise change the balance of power



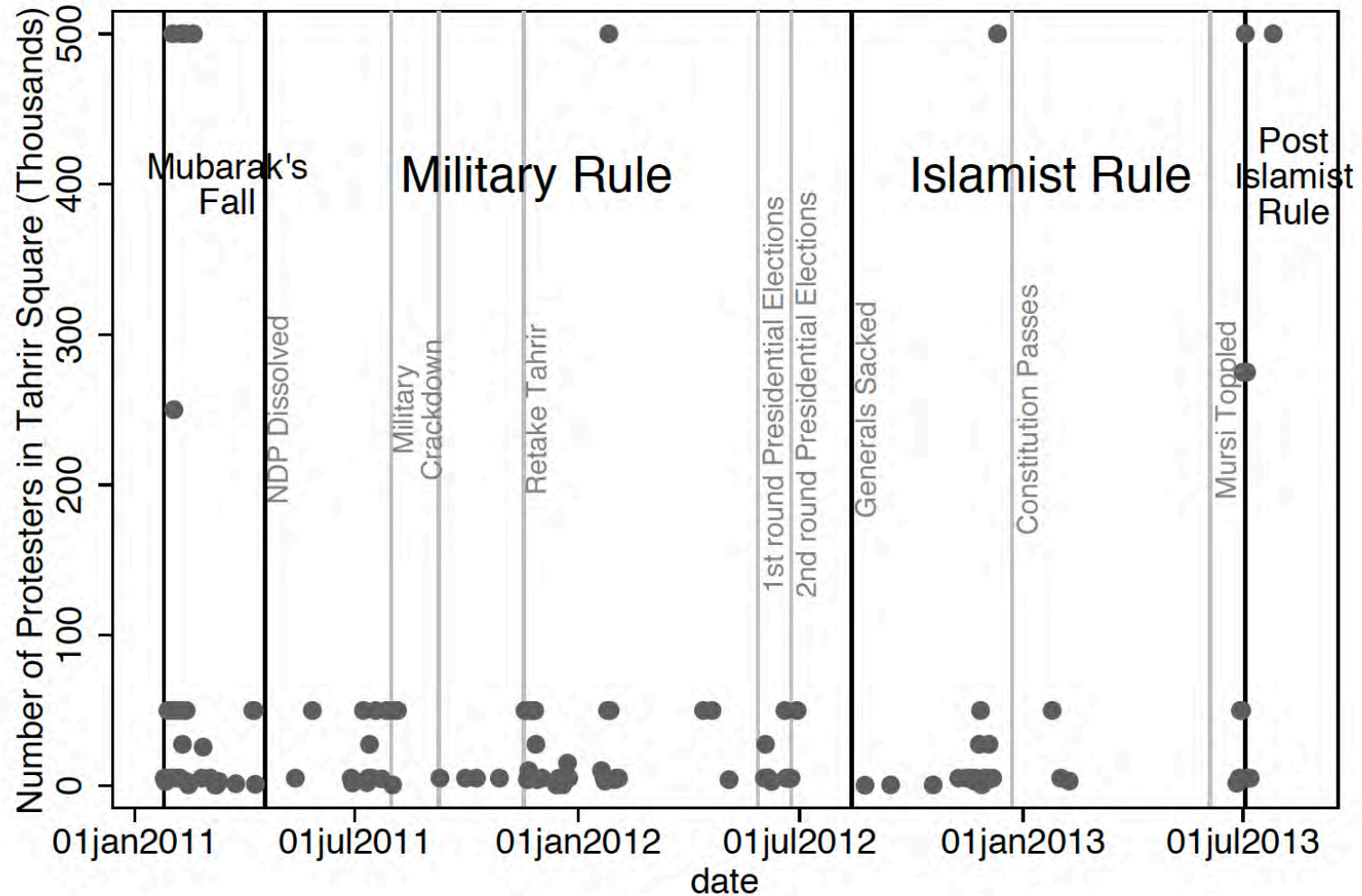
The Second Amendment purposefully gave coercive power to civilians, to facilitate armed rebellion, and this make it costlier for the state to thwart democracy

The strongest reason for the people to retain the right to keep and bear arms is, as a last resort, to protect themselves against tyranny in government.

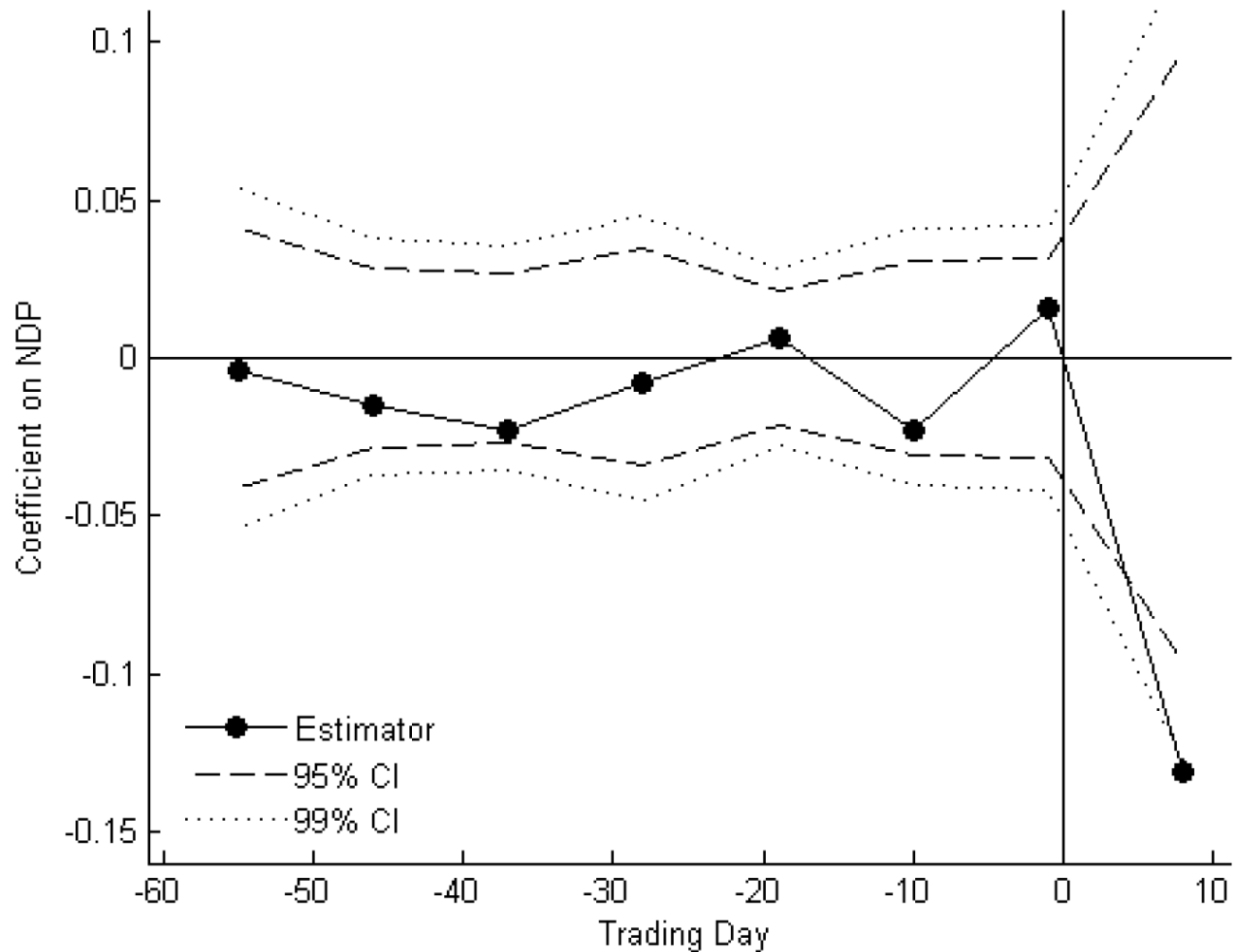
Thomas Jefferson



How do we know if voice was costly in Egypt during the Arab Spring?



One indication of these costs: Stock market returns on politically-connected firms in Egypt fell with protest size



Voice generally implies that citizens have solved the collective action problem

What does that mean?

A natural question: Why and when do we see jumps in collective action?

U.S. Civil Rights movement actions

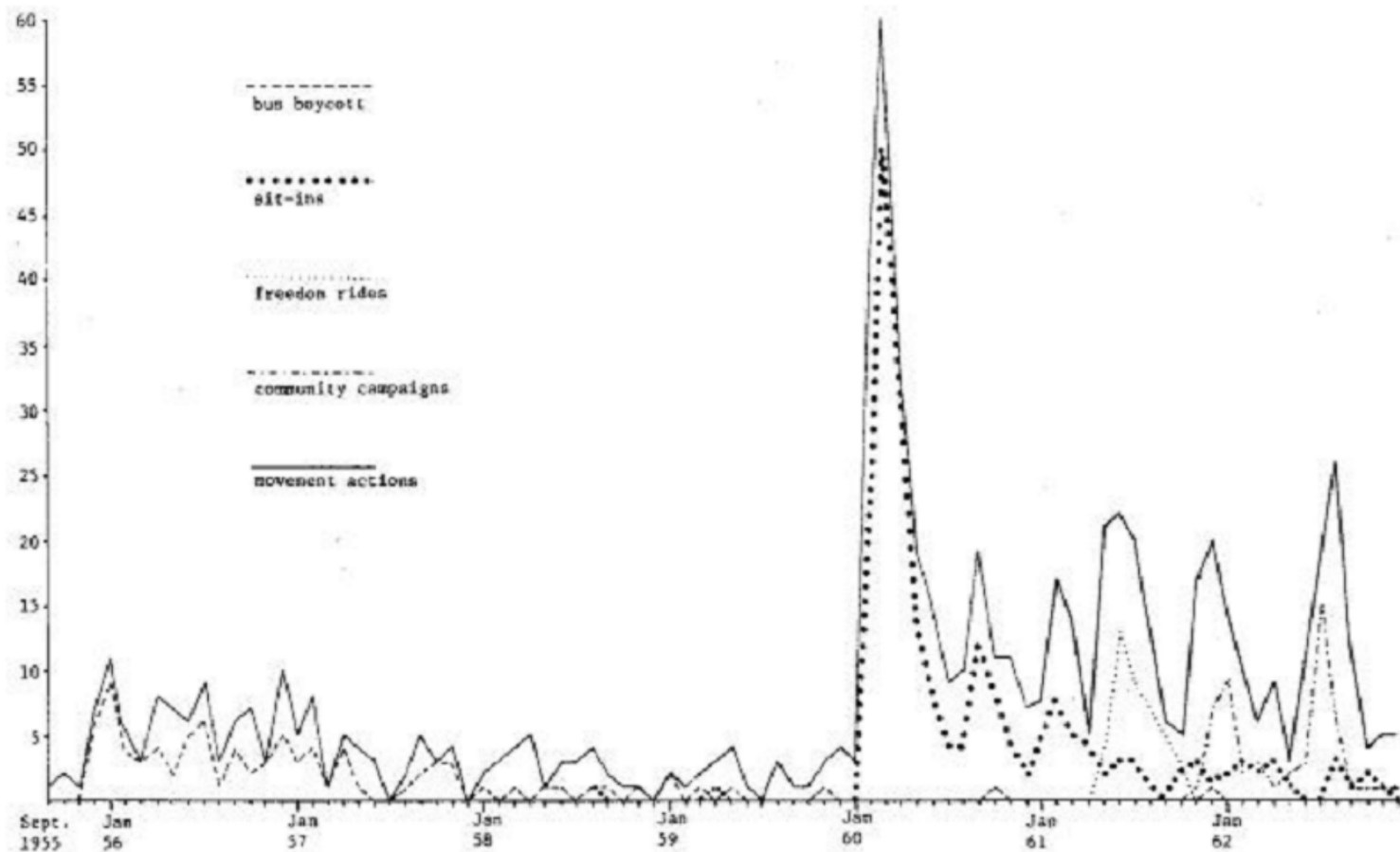


Figure 2. Movement-Initiated Actions, September 1955 through December 1962

Our discussion of “why men rebel?” was essentially a question of collective action

1. Material selective incentives
 - Money (wages, loot, land)
 - Club goods (insurance, credit, public goods)
2. Non-material selective incentives
 - Personal (esteem and praise)
 - Club goods (status, spiritual rewards)
3. Intrinsic value in participation
 - Revenge, or response to injustice

It would be possible to explain the jump in collective action with the collective reaction to an unjust event...

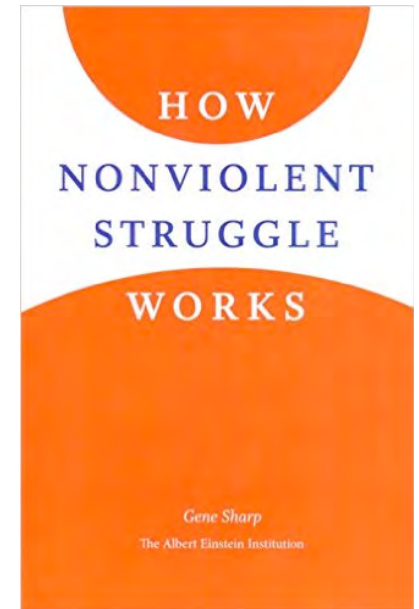
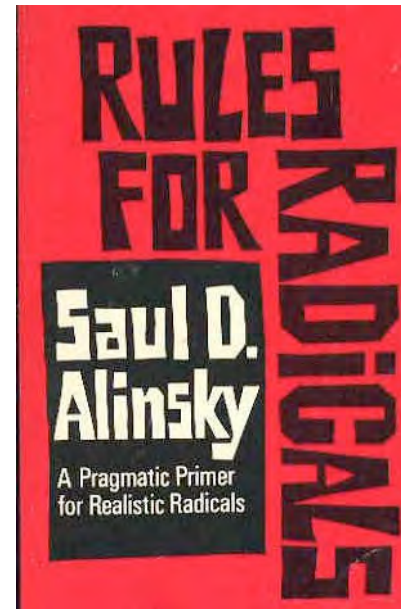
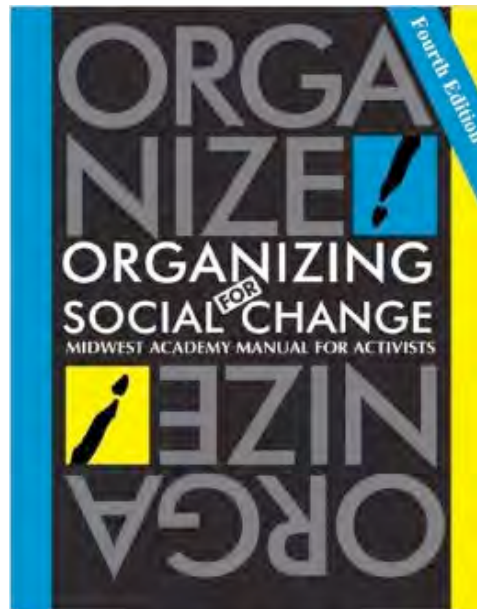
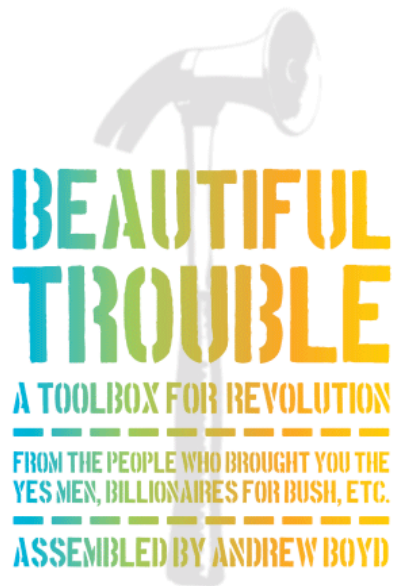
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In our model, we could see this as a fall in C

...but this ignores the important, understudied role of organizers and “technology”



Social movements literally write manuals: They treat it as a technology (a set of techniques) that can be learned and adapted



- These are in part techniques for reducing the cost of voice to citizens and the elites who mobilize them: organizers

Berman and Laitin's "club goods" models of religion and of armed organizations: A set of techniques for solving the collective action problem in public goods provision and other activities



Societies appear to differ in the extent to which these techniques and capacities for collective action have permeated the culture

The sociologist Robert Putnam calls this ingredient “social capital”

- Horizontal social capital: Dense networks of civic associations and an active culture of civic engagement
 - e.g. Mutual aid associations, choral groups, soccer clubs, PTA meetings, church masses
- Contrasts to vertical patron-client relations of exploitation and dependence
- Why do horizontal networks and bonds of trust matter?
 - Facilitates solving collective action problems in public goods or mobilization

Putnam: Began with a case study of northern versus southern Italy

- Looks at how local governments responded to constituents after a 1970 decentralization
- Saw large variation in presence of an active, public-spirited citizenry, egalitarian relations, and social fabric of trust and cooperation

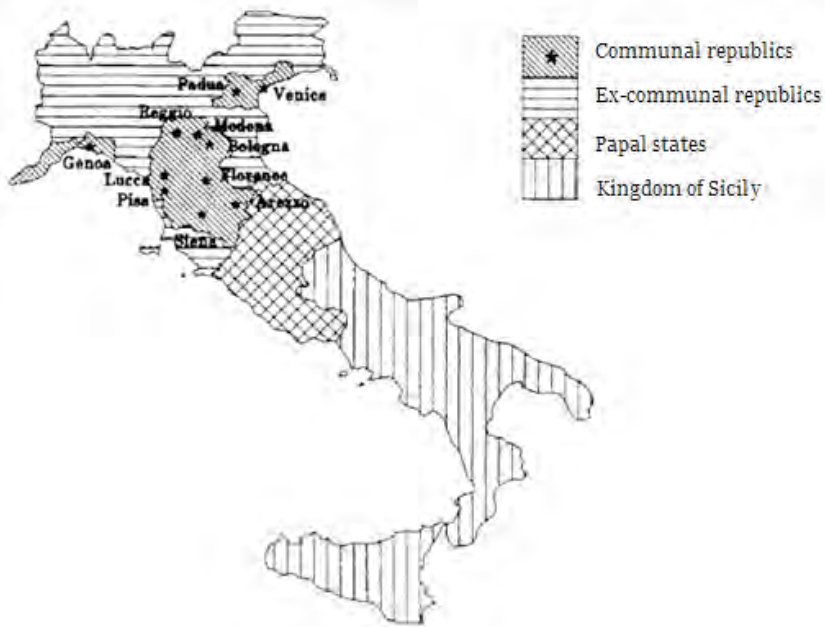
Institutional performance of regional governments, 1978-85



Argued that social capital and trust often have deep roots in historical experience, codified in culture

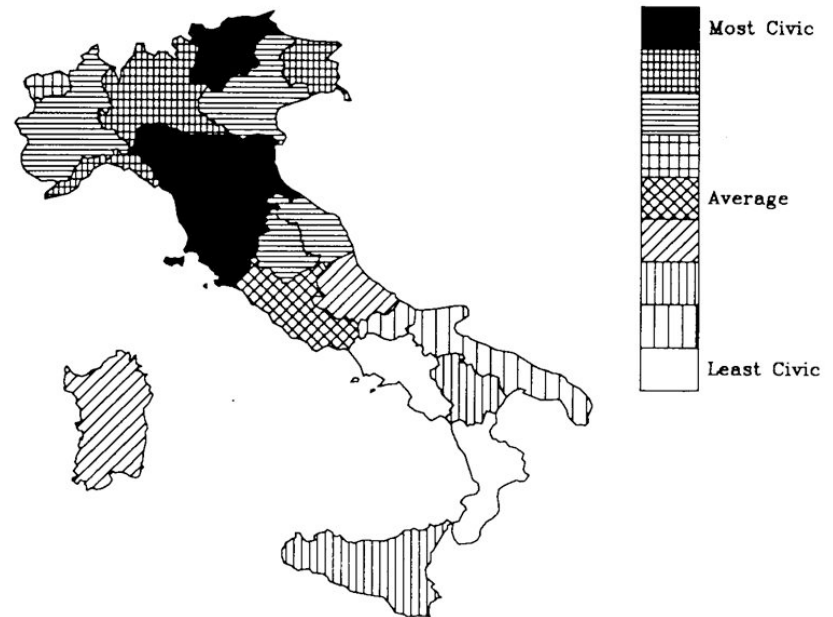
Republican and autocratic traditions, c. 1300

Republican and Autocratic Traditions: Italy, c. 1300



Civic community, c. 1970

The Civic Community in the Italian Regions



So when should we expect to see voice mobilized effectively?

- In circumstances where it is possible to use selective incentives to mobilize the population
- Or circumstances help create intrinsic value in participation
- Aided by the presence of able leaders with access to techniques of mobilization
- Especially in societies with longstanding traditions of social mobilization, and dense horizontal linkages within and between groups of citizens: social capital

IV. Some contemporary examples

1. The Ferguson police department was an extractive

“Ferguson has allowed its focus on revenue generation to fundamentally compromise the role of Ferguson’s municipal court. The municipal court does not act as a neutral arbiter of the law or a check on unlawful police conduct.

... FPD has communicated to officers not only that they must focus on bringing in revenue, but that the department has little concern with how officers do this.

FPD’s weak systems of supervision, review, and accountability...have sent a potent message to officers that their violations of law and policy will be tolerated, provided that officers continue to be “productive” in making arrests and writing citations.”

--2015 [Department of Justice Report on FPD](#)

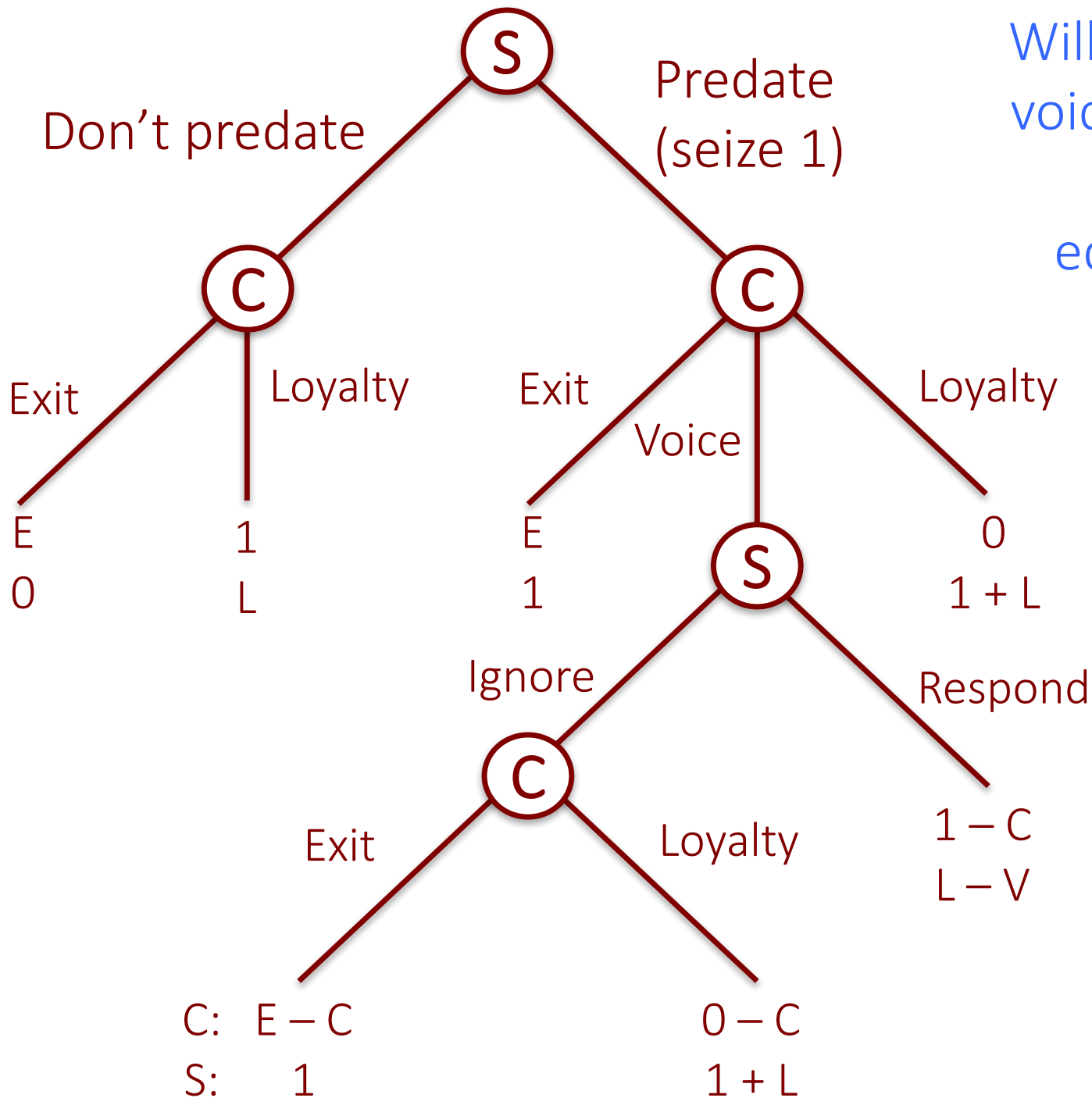


Something shifted, and citizens began to exercise voice



What might have changed in Ferguson?

Will newfound voice lead to a better equilibrium?



2. Venezuela

Large-scale protests since 2014, intensifying this year



A short summary of events

- Populist and leftist coalition leader President Nicolás Maduro in power since 2013, following death of Hugo Chavez
 - Base of popular support includes working class, rural peoples, state employees
- Ruled Venezuela in an increasingly authoritarian manner, seeking to restrict the constraints on his power
- Maduro and Chavez have packed the Supreme Court and electoral authorities with supporters
- Also supported by a military and other elites with interests in legal and illicit oil sales, as well as the international drug trade
- Elections brought an opposition-led National Assembly to power who have attempted to recall Maduro
- Large scale protests since 2014
- Recently Maduro and Court sought to disband National Assembly

Why have large-scale protests not led to a better equilibrium?

