

Why We Need a New Theory of Government

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In the 1970s some of us endlessly debated theories of the state. The “us” included my recent predecessor Theda Skocpol, my immediate successor, Ira Katznelson, and several others in this room. What intrigued us was a vast literature, grounded in neo-Marxism and covering huge swaths of history and geography. Nearly all the important books and articles were by sociologists and historians,¹ but with *Structure and Change in Economic History*, my then colleague, economist Douglass North, transformed the debate by bringing transaction costs to bear in modeling the state’s role in economic growth.² Most political scientists now acknowledge the importance of this perspective, but it nonetheless helped precipitate twenty years of divergence between historical and new economic institutionalists.³

Once again we are increasingly part of the same conversation. We are driven by a common desire to understand what makes for effective governments and how to build them. Effective government is one that not only protects its citizens from violence but also promotes economic growth, supplies the public goods the populace needs and desires, develops mechanisms of popular accountability, and ensures relative political and economic equity. The most effective governments are probably in democracies, but not all democracies have effective governments, and there are relatively effective governments in non-democratic states.

We have made considerable progress as social scientists in identifying the key components of both effective and ineffective government. We have excellent descriptions and even good equilibrium theories to account for stability. We know quite a lot about why states fail and about the conditions that cause them to unravel. We are increasingly expert at explaining post hoc why some governments, performing so well on so many dimensions, suddenly fall apart. Think Lebanon, the former Yugoslavia, or even the Soviet Union. But how do we build them back up? How do we improve those (nearly all) that need improvement?

What we lack is a dynamic theory, one that demonstrates how to go from ineffective to effective government, how we move from a problematic equilibrium to one we prefer. How do we generate governments that promote economic growth, relative equality, and political equity?⁴ How do we go from low participation to high? How do we change an inequitable society to one that is just and fair? How do we end corruption and institute impartial but compassionate bureaucrats? How can we transform governments that have failed their citizens abysmally into governments that protect their citizens, provide them with health, education, infrastructure and other public goods? And how can we transform democratic governments with advanced economies that serve some of their citizens very well and most of their citizens very poorly into democratic governments with advanced economies that serve all of their citizens equally well?

If the story is all in structure, geography, demography, initial conditions, path dependence and exogenous shocks, then perhaps we should simply sit back and let history take its course.⁵ But to say that there are constraints and that some of those constraints are quite rigid is comparable to describing human mentality as only hard

wiring. Humans learn, and so do societies. When a combination of individuals with the incentives and imagination to figure out how to operate better within or even to overcome the status quo, we observe institutional transformation and creation. Trade cartels, bureaucracies, universities, and courts are just a few of the myriad examples of the institutions human beings build.

My emphasis is decidedly on the construction of government that performs well for the polity as a whole. I draw on a wide range of analyses of institutions and organizational governance as well as on significant research on protest and resistance. Others whose work I avidly consume focus on social capital, civic engagement, and social norms—claimed as essential elements for enhancing cooperation within civil society and for producing better government. Although I argue that the causal arrow is more likely to go from government to civic engagement than vice versa, the question of the relationship between civil society actors and government remains intellectually fruitful. Indeed, I believe a theory of consent—or at least compliance—is a necessary element of any reasonable theory of effective government. If the populace—or at least enough of the populace—cannot minimally express support, the government is likely to flounder. But I also want to stress the importance of the combination of governmental institutions and leadership and the role they play in inducing the preferences that help create and sustain the kind of polity we seek.

What we know

To develop a dynamic theory of effective government that is theoretically compelling and useful for those seeking to improve governmental performance requires us to, first, lay out what we know about the reasons for variation in governments; second,

clarify the ingredients of an effective government; and, finally, figure out how to move from ineffective to effective government.

Actually, we know a lot. We remain influenced—if sometimes indirectly—by those long-ago debates on “theories of the state.” Fortunately, there is less concern now with rather abstract “theories of the state” and more with government, the organization and individuals who establish and administer public policies and laws. Major shifts in the personnel, policies, or even form of government can change while the state remains stable.⁶ But those shifts can have significant consequences for the effectiveness of government itself. The officials who staff government are the moving parts of the state. They are selected and deselected; they can be responsive or innovative.

There is now consensual rejection of the pluralist view of government as a playing field (or perhaps the referee of a playing field) in which various groups duke it out. Government actors are important players in their own right: they affect the rules of the game; they distribute or redistribute political and economic resources; they can dissipate a polity’s wealth or enhance it. This is not the government of pluralist theory. But nor is it the Leviathan of Hobbes.

For Hobbes, the key to an effective government is first, foremost, and solely centralized coercive power in the hands of the monarch. His government was neither part of an inter-state system nor the captive of any particular class or group. Its population was homogeneous, and they were happy to gain security in exchange for their compliance with an authoritarian government.

Now, of course, we all know that we have and must go beyond the Hobbesian model. But do we really know that? Have we really gone beyond it? The world of 17th century

England may have relatively few similarities to 21st century Britain or the United States, but it has considerable similarity with many parts of the world currently embroiled in civil wars and political violence grounded in religion, ethnicity, and tribe. Does that make the Hobbesian solution a good one for those countries? I think not. My reasons include normative objections to the kind of centralized and coordinated power Hobbes' government embodies. But my reasons are also far more pragmatic. We cannot assume a social contract. Nor can we assume compliance with a government justified only by the state's ability to provide security of person and property rights. We cannot now and never really could. So, even for the parts of the world where Hobbes might be most relevant his is a problematic solution.

Government, and especially effective government, does not just happen, even when there are well-designed constitutions and particularly when there are not. Most countries experience stops and starts in their efforts to build states and better functioning governments. We think of France and Japan as highly centralized, but it was not easy to make them so. Forging a national identity required the conquest of provinces and their lords. Britain and the U.S. might now have nearly zero levels of official corruption, but it took centuries to attain that goal. The development of effective governments implies gaining compliance with laws, and doing so sometimes requires the loss of lives, including those of tax collectors, census takers, and draft registrars. Understanding how France and Japan centralized, how Britain and the U.S. eradicated most government corruption, and how all gained relatively high compliance with their laws offers lessons for countries trying to build effective states today. *Experiments, adaptations to local and*

international conditions, social movements, and innovative leadership are all part of the story.

The path of these state builders provides but one possible route—and one filled with byways and diversions even among them. Early modern European states arose in response to wars with each other and within their boundaries. Wars drove the search for means to produce revenues and conscripts.⁷ Other states emerged as settler colonies of those original modern states and adopted their institutions and constitutions—albeit with significant variation in terms of how well they took root or contributed to democratization and economic growth.⁸ And many of the current state- and government-building efforts are in response to decolonization and former state break-ups.

The past provides only partial lessons for the present. In a wonderful little book, *Prosperity and Violence*, Robert Bates elaborates the crucial difference: shielded by the great powers and the aid agencies, the newer governments did not have to confront either the military threats or revenue demands that gave earlier generations of rulers incentives to “persuade those who earned private incomes to pay the costs of government...”⁹ Even so, the same question that plagued historical states infects today’s: how to ensure that government has sufficient power to tax and to provide security while inhibiting government from predation on the population it is supposed to be serving. Mancur Olson framed the issue as transforming “roving bandits” into “stationary bandits.”¹⁰ Banditry is not the only possibility here although it may be one of the most common. It and its variants are points on a continuum of government types. While all governments extract resources, some are kleptocrats, some are Robin Hoods, and some, albeit too few, are

partners in the production of prosperity and equity. It is this last kind of government we hope to achieve. Leviathans and/or bandits simply will not do.

Governments are more effective when they achieve quasi-voluntary compliance, that is, compliance motivated by a willingness to cooperate but backed by coercion.¹¹ This requires that subjects and citizens receive something from government in return for the extractions government takes from them. It also means that compliance is always conditional. It will vary as governments vary in their performance, honesty, attention to due process, and other determinants of government reliability. When government officials become venal, lose their monopoly over force, or prove incapable of extracting needed resources to produce collective goods, non-compliance, resistance, and even state failure are far more likely. A vicious spiral ensues. Governments unable to collect sufficient taxes to pay public officials create incentives for those officials to expropriate “salaries” from citizens and often with force. This in turn leads to the rise of armed gangs as the populace tries to protect itself from their own government.¹² We experience bandits fighting bandits.

We are ever more conscious that the development of effective government is seldom immediate. There is a long learning process during which publics and public officials discover what institutions and which people are reliable and in what settings. The more one develops confidence about others, the more one can then take risks and broaden the range of those productive interactions. Often, the response to insecurity is to develop networks of trust and obligation. However, network-based governance and trade can become more constraint on than facilitator of wide-spread cooperation.¹³ Recent political science and political economy offer some hints about how to build productive and secure

interactions across villages, ethnic groups, and regional divides.¹⁴ We now need to take these findings and make them work in very different contexts.

We have learned how fragile many states and governments are. This is not just an issue of shifting coalitions in parliamentary systems. The deeper problem has to do with factors that undermine the capacity to govern. It seems all too easy to revert to the “war of all against all,” and a growing body of work on state failure explains why.¹⁵ The causes are complex, not easily reduced to racial and religious cleavages, diamond mines, or wide-spread poverty, but scholars are successfully sorting out this complexity. Increasingly, we are also coming to recognize how devastating health and other catastrophes can be, especially when they deplete the revenues and staff of government.¹⁶

Even the economically developed and stable democracies have difficulty sustaining effective governments. In the 1970s there was a lot of concern about the “fiscal crisis of the state,”¹⁷ that is, that the demand for services by business as well as citizens would far outrun the revenues government could raise. The fiscal crisis is a reality. The poorest among us depend on government services, but so do the rich.¹⁸ Yet, throughout the developed democracies, there is increasing objection to taxes and lobbying effort devoted to passing corporations’ expenses onto government. The reduction in revenues is accompanied by rising costs of and need for health, unemployment, and other forms of social insurance.

We know quite a lot about what effective government entails and why states fail. There are instances of relatively effective and just governments, but we still need the blueprint for how to create and recreate them. Our next step must be to figure out how to keep them from failing, how to rebuild them when they have, and how to ensure that they

are responsive and responsible to those they should be serving. We should no longer be satisfied with the Hobbesian solution, a government that provides only security against violence. Our goal is not social order alone but an equitable, just, and democratic government that elicits well-earned support and loyalty from its citizens.

Reorienting our thinking

To build a theory of effective government demands some reorientation of our thinking. Too many of us tend to focus on what we object to about government and not enough on what government does for us. By all means, we should—as good citizens—be critical of particular policies and programs. However, one of the most nefarious effects of the neo-liberal revolution is to ignore how much we all depend on government infrastructure, both physical and social.

There is also insufficient recognition, especially (but not only) among rational choice scholars, that “institutions are structures of power.”¹⁹ There is a concern with who wins and who loses and the recognition that collective action is a form of power. But by definition a stable equilibrium is maintained by those with effective bargaining power. If these actors or groups are better off with little or no incentive to change the status quo, the government will not change. Equilibrium analysis of this sort becomes a far more problematic tool once we include all of those encompassed by the government. Institutions that make some (but not all) better off also create losers, possibly permanent losers. Without recognizing this, we neither fully comprehend the nature of power, nor do we provide for means to compensate the losers.

But even more critical for the research on both the developed and developing world is the inattention to politics, conflicts and clashes that are at the foundation of many

institutions and which do not simply go away once a new equilibrium is reached. They are likely to be disguised, coming to the surface only when change may be possible, but they are still there.²⁰ The language of bargaining is an apt description of labor unions and employers negotiating a contract or of the Crown and parliamentarians reaching a decision about the conditions under which the monarch can borrow funds. It is an awkward and insensitive characterization of the relationships between untouchables and the higher castes in pre-Independence India or of indigenous peoples during most of the history of Canada, Australia, or the U.S..

Even when there are bargains that contribute to state building and maintenance, have we successfully identified all of them or analyzed the reasons for variation in the nature of the bargains among individuals and groups in broadly similar structural positions? Local groups and power structures shape the choices rulers and institutions make, and their capacity to impose costs on the state varies within as well as across countries.²¹ Agenda control is most definitely a form of power and at the heart of field-defining work on legislatures, but scholars persist, forty years on, in considering only one “face of power”,²² failing to address the ways in which ideology, non decisions and other forms of “mobilization of bias” keep key questions off the agenda.²³ “Win sets” and heresthetics offer some corrective, but we are struggling—and will be for some time—with questions of how beliefs are formed, preferences induced, and biases mobilized.²⁴

One way out of this conundrum is to use a different approach. We could revive interest in Marxist theory or focus more self-consciously on the “weapons of the weak.”²⁵ There is something, indeed quite a lot, to be learned from these perspectives (and others). Structure does matter, and interpretive explorations of history and cultures teach us how

people frame their world and provoke us to think about why they are more likely to act one way than another. But these approaches only help us, it seems to me, if combined with the rigor of formal theory and, when possible, statistical analysis. But even then, there would be lacuna in our theory of government.

The Quandaries

To develop a dynamic theory of effective government requires us to clarify the questions such a theory must answer and then to lay out the essential components or building blocks. Only once these tasks are accomplished can we derive hypotheses, test them, and provide prescriptions based in good logic and evidence.

Any theory of government must come to term with a series of quandaries, captured by the following quotations:

- "...a government strong enough to protect property rights...is also strong enough to confiscate the wealth of its citizens"²⁶ (Barry Weingast)
- "...many of the means by which a state tries to increase its security decrease the security of others"²⁷ (Robert Jervis)
- "State formation and consolidation has everywhere extracted horrendous human costs. Despite this, in the modern world it seems that only not having a state is worse than having one"²⁸ (Pratap Mehta)
- "The existence of the state is essential for economic growth; the state, however, is the source of man-made economic decline"²⁹ (Douglass North)
- "Distrust may be the problem, but trust is not the solution."³⁰ (Margaret Levi)

In virtually every state- or government-building project, it is necessary to "tame the violence"³¹ within the country's borders, to stop the "roving bandits," and to offer

powerful constituents enough in the way of benefits to retain their loyalty and to desist from violent predation. State-building requires ceding to rulers the sine-qua-non of an effective government: the capacity to enforce the laws and extract the taxes necessary to pay for essential public goods. To ensure that the rulers do not then turn around and exploit those they govern requires far more than a “social contract,” however. Good government means that government is designed to be effective and efficient on some dimensions and powerless on others, that government actors have access to some resources but not others. But as important as legal constraints are the limits on the bargaining and coercive powers of the governors. However, these significantly inhibit officials’ behavior only where institutional arrangements also ensure credible commitments.³²

The failure to achieve credible commitments is endemic, in large part because many rulers have no incentives to “tie their hands.”³³ The Idi Amins and the Sadam Husseins are illustrative. What would ever induce a head of state, particularly one with a reliable army, to agree to arrangements that will evoke automatic punishments should he violate the agreement? There are a number of factors. Competition for control of resources may lead rulers to seduce competitors when rulers are uncertain of the outcome of a battle for those resources. International pressure can also alter the calculations of a chief executive, who must change course to avert military threats or to attract needed aids or loans.

Even governments willing to restrain internal warring may not succeed. Part of the explanation derives from the “security dilemma” populations and their leaders face. Individuals, in their desire for safety in a situation of inadequate government protection, become wary of others, even those with whom they once cooperated.³⁴ Predatory

behavior is motivated by greed, security dilemmas by fear in contexts where individuals form expectations of threats by others. Security dilemmas can lead to an arms spiral and offensive/defensive warring that makes everyone a potential victim of violence and everyone worse off. Governments, confronting internal violence, may choose to invest even more in their militaries or even arm their allies within the population. The evidence suggests this contributes to rather than reduces the potential for violence.³⁵

Any resolution of the problem of taming violence and establishing a government among those who are experiencing a security dilemma can be “horrendous.” India, the case that inspired this quotation, is unhappily exemplary. The emergence of its post-colonial government was accompanied by religiously based violence that persists unto this day in the form of riots in many states and outright warfare in contested territories such as Kashmir. Partition led to mass killings, devastated families, and the destruction of property and property rights.

On the other hand, we know that effective governments secure property rights, adjudicate disputes, and provide the public goods that enable its citizenry to flourish. But many governments, even those that engender domestic peace and prosperity, are still not doing enough for the populace. By serving special interests, by over regulating the economy, by stomping on civil liberties and rights, by inhibiting scientific and technological progress, government can be oppressive. It can then become a source of economic decline.

Because so many governments engage in venality and corruption or actually harm the personal and professional lives of citizens, there are good reasons to distrust government. Such distrust is in fact a healthy reaction when it produces legal

frameworks, checks and balances, and vigilant citizens. Indeed, distrust often generates institutional change and creation: “Good defenses make good neighbors.”³⁶ We do not need to trust our government or our designated leaders or our fellow citizens. Rather, we demand assurances that they will do their duty by us and be caught and punished if they do not.

But seldom, especially in the modern and democratic world, is confidence in a government officialdom based solely on the extent to which it secures property rights and refrains from predation. Confidence also depends on the extent to which each citizen is assured that all others are being held to the same legal obligations; and the extent to which citizens generally believe they are getting something in return for their compliance.³⁷ These are the key factors for producing quasi-voluntary compliance, a defining characteristic of effective government.

A government that holds all to the same obligations is one that possesses the capacity and the will to do so, qualities which are a function of on whom government is dependent. If the selectorate is narrow and the minimum winning coalition tiny, then government is more likely to have discriminatory regulations and extractions.³⁸ If there are constituents able to blackmail government by means of their control of resources, they are likely to get favorable treatment. They are also more able to call the shots without holding the offices.³⁹

People are more likely to comply with government requirements when they have confidence that there is something approaching a quid pro quo. Their confidence increases when they have beliefs that officials are not corrupt, that what is collected in revenues will actually find its way to the public till, that all eligible young men face the

same probability of being drafted, etc. Confidence further increases with the actual production and distribution of valued public goods.

Underlying confidence in government and the willingness to comply are assessments of the fairness in the implementation of law and the distribution of public goods. What constitutes fairness and what are deemed desired public goods vary across societies and time. Nonetheless, any government that does not meet widely-held expectations on these matters is likely to suffer resistance and dissent, passive and active.⁴⁰

To summarize, we require models of the means to:

- Tame internal violence in ways that do not engender more violence or dysfunctional distrust of government
- Constrain government officials by making them credibly commit to refrain from exploitative behavior and betrayal (from defaults on loans to criminal behavior to hiding from the public relevant information about their decisions to go to war)
- Compensate the losers from institution building
- Produce contingent consent by establishing a government that:
 - Meets prevailing standards of fairness and due process
 - Provides collective goods in the collective interest

Where this discussion leaves us is with a laundry list of processes to be addressed by a theory of effective government creation and stability. We already possess models and rather compelling arguments about how many of these processes develop. Yet, some ingredients are missing if the cake is going to rise.

Essential ingredients

In baking our cake, we must be attentive to empirical evidence, reality, and good science, sensitive to the details and particularities of context and history, and committed to improving our common lot. We must recognize the role of human agency. With these guidelines in place, we can now begin to consider the essential ingredients of an effective government, even if we have not yet succeeded in synthesizing them into a dynamic theory. These ingredients are:

- Institutional arrangements that appropriately align incentives
- Leadership that can enable government to deliver security and services to the population
- An environment of learning and information that enable the populace to adjust to the new reality, on the one hand, and to hold leaders accountable, on the other
- Preferences for outcomes, such as a clean government and a just society, that might not have previously seemed accessible

Incentives and institutions have long been in the recipe. Economists, political economists, and the decision makers in international organizations, especially those which offer money and aid, have emphasized incentives and institutions for several decades now. Increasingly, they have come to recognize that while these factors are necessary conditions for building effective governments, they are not sufficient. If they were, the establishment and enforcement of a transplanted constitution would do the trick. Yet, there are many instances of constitutions, laws, regulations and bills of rights adapted from successful polities that do not flourish in their new environment. Not

everyone responds to the same incentives the same way. Institutions simply transplanted from one country to another or dictated from a list are more likely to fail than not. Often what works best is a mix of “orthodox elements with local heresies.”⁴¹ But even then and even when the institutions result from bargaining among significant domestic actors, the institutions by themselves offer no certitude of building or sustaining an effective government.

What is also required is leadership with the capacity to enforce the laws, the competence to produce public goods the public demands, and the facility to evoke popular confidence even among those who disagree with particular policies. Leadership aligns incentives, helps design and redesign institutions, provides the learning environment that enables individuals to transform or revise beliefs, and plays a major role in inducing preferences. Most importantly, leadership—both of government and within civil society—provides the human agency that coordinates the efforts of others.

Leadership empowered by institutions and popular support, but it also curbed by them. It operates within a set of constraints, and our theories must reveal what sets of constraints are most likely to facilitate able leadership. There is considerable rhetoric that representative democracy is the best design for effective government. The evidence remains mixed, given that there are so many democracies that are unstable or poor.⁴² Nonetheless, leaders subject to relatively well-functioning electoral systems are more likely to be responsive to a wider range of constituents, and there is good reason to believe that they are more able to produce peace and prosperity.⁴³ But it is a tricky business. Representatives and executives elected on one platform may do something quite different once in office. Sometimes they do so because of unexpected wars, natural

catastrophes, epidemics, or economic shifts, sometimes because of new information acquired on the job, and sometimes because they simply lied on the campaign trail. How to hold them accountable comes back in part to institutional arrangements, but it is also an effect of the confidence they are able to evoke among the citizenry. If confidence is high, then there is considerably more discretion to change course as circumstances require.⁴⁴

At issue is under what conditions members of a polity develop and retain confidence in those to whom they have delegated authority and who now have considerable coercive power relative to them. Credible commitments and other incentive structures play a role, but here is where the quality of leadership emerges as an important attribute of effective government. Leaders establish a set of principles that constitute the identity of the governmental organization and institute the rules to guide behavior in the face of unforeseen contingencies.⁴⁵ For these principles to constitute the basis of an effective government with a supportive polity, they must be communicated to all and their implementation observable post hoc. Governmental leaders establish reliability through reputations built on these principles. They sustain their reputation and that of the government by upholding these principles even when they are not the most organizationally efficient or in the personally best interests of the leaders. Democracy, we know, is not efficient, and some of our most revered public leaders have made great personal sacrifices.

We are describing here a kind of culture, a governmental culture. It is initiated and reinforced at critical moments in history when a leadership cohort solves the critical strategic problems of recruiting support, coordinating resources, and ably managing

conflicts and catastrophes. Governmental cultures survive because leaders continue to uphold the founding principles while revising them to suit the times—and simultaneously producing what the public comes to desire.⁴⁶

But what gives leaders such abilities? Are they born that way, or are there means by which leadership skills can be taught and learned? Undoubtedly, there is a personality component, but there is also a large dose of learned skill. We may make jokes about lawyers, but attorneys and others with advanced degrees are numerous among our most respected elected officials. Some of these but also many without advanced degrees have come up through the ranks of government or the army or unions or political parties or revolutionary organizations. They have prepared for the roles they take on.

Leaders can be good for a country or bad for it. This we know. What can and should we do to give good leaders the help they need in skills and other resources? The Cold War revealed how often aid agencies and superpowers make morally questionable decisions in efforts to gain allies in an international dispute or to support regimes that seem to promote stability over every other possible value. We should not play God in the affairs of other countries, but we do need a firmer understanding of what makes leaders reliable and competent. And we may need more aid directed at training public officials.

Once in office, a leadership cadre has the power, within the limits of enforceable law and their bargaining clout, to write or revise the constitution and to establish or reinforce institutions. The culture survives its founding leaders only to the extent it builds institutions that continue to reinforce and reproduce the culture by making leadership commitments credible and by structuring both leadership and citizenship incentives appropriately. Leaders supply institutions but are also restrained by them. However,

leadership of an effective government is further restrained by its obligations to the population. Leadership transparency, responsiveness, and actual implementation of policies are behaviors most likely to elicit quasi-voluntary compliance or a more active but contingent consent. At the same time, leaders must provide leadership in the sense of clarifying what is possible and providing information that will enable constituents to form beliefs and preferences in keeping with the world in which they find themselves.

The next question then is how can leaders help citizens learn and adapt to changing economies, international pressures, and values?

Sometimes leaders ask constituents to demand less of government. The neo-liberal conversion, led by Margaret Thatcher and Ronald Reagan, was not simply imposed top down; it also required Thatcher and Reagan to persuade a significant sector of the polity that neo-liberal policies were in their interest. Sometimes, a leader's task is to persuade constituents that government policies should be broader and more inclusive as during the implementation of Civil Rights legislation in this country or during the introduction of universalistic welfare systems in Scandinavia. Leaders have the power to misinform and to manipulate,⁴⁷ but they also have the power to inspire.

Leaders provide information about what others, including officials, are likely to do. They help foster beliefs and expectations that then influence behavior. We have already encountered the issue of beliefs in the earlier discussion of security dilemmas. Expectations of betrayal, especially if the costs are high, lead to behaviors that promote a cycle of violence. It is a belief about another's trustworthiness that informs a decision to take a risk in cooperative ventures. It is a belief about an institution's reliability that informs the decision about whether to comply with its rules and regulations. Beliefs can

account for why some corrupt regimes are so persistent despite serious reform efforts.⁴⁸ If the public and officials believe there is widespread corruption, they are likely to sustain dishonesty unless government can actually change the beliefs as well as the practice. On the other hand, if they believe the system is clean, they are more likely to resist, reveal, and punish instances of corruption. Leadership can provide the information and the example to influence what people believe about the system they are in.

Effective governments constrain officials to behave in certain ways, but they also may encourage officials to prefer certain outcomes over others and to exclude some possible actions altogether (such as stealing from the public coffers). Engaged citizens in well-ordered democracies may come to prefer to vote and become informed and vigilant rather than free ride or stay rationally ignorant. Those who blow the whistle on corruption may believe they are in a clean equilibrium, but they are also willing to act, preferring to pay the costs of involvement.

So how do leaders and other governments induce preferences for democracy, social justice, peaceful adjudication of disputes, and other objectives that make effective government viable? If we cannot answer that question, we are left—once again—with a static theory. While it is interesting to note variation in preferences, we need to know their origin.

Experimental research, survey evidence, and behavioral economics offer compelling findings that many individuals are motivated by concerns about fairness and reciprocity.⁴⁹ They knowingly choose actions that will produce an outcome they consider more just or fair over one that gives them the greatest material return. Perhaps this predisposition results from evolution⁵⁰ or some other factor outside of immediate human control.

However, the probability of acting on such a predisposition clearly varies in response to context and expectations of how others are likely to act. There is a social and political basis for at least some of the variation. Networks⁵¹ or institutions⁵² can generate, sustain or even induce preferences by making some outcomes accessible that might not otherwise be.

There are several aspects of institutional arrangements that permit individuals to act on their preferences. A backdrop of enforcement empowers officials who want to be honest and citizens who want to do their duty. These individuals prefer to be one kind of person rather than another, but they will behave according to type only if they feel confident that others will pay their share and that the bureaucrats will not be corrupt.⁵³ Other institutions, possibly those facilitating political deliberation and communication and certainly those promoting trade and other interactions outside one's narrow network, help people develop preferences they either did not have before or previously thought unattainable. And we have ample evidence that legal change on matters of contestation, e.g. the abolition of slavery, enfranchisement, women's right to own property, offer newly empowered people rights and preferences once eliminated from their preference ordering. In the long run, suffrage restriction, slavery, or denial of women's rights may even be eliminated from the preference orderings of those who might have once wanted them as outcomes.

To summarize: Appropriate institutions are a key ingredient of effective government, but equally important are the quality of leadership and the political environment leaders and institutions furnish. Individuals can come to believe that the world is different than what they once thought, that the outcomes they had never

considered or thought inaccessible are possible outcomes after all. They can act according to norms of fairness they prefer because those are the principles leadership and constitutions are upholding. In such circumstances and with such preferences, citizens are also more likely to become vigilant—demanding responsive government, holding leaders accountable, and withholding their compliance and consent when appropriate.

I have now presented the components that are essential to the construction and maintenance of an effective government. I have identified mechanisms by which at least some of those components can—and have—come into being. Human agency, through leadership, learning, preference formation, and wide-spread constituent support, provides the yeast, the missing ingredient of a dynamic theory of effective government. Yet, we still lack the recipe or recipes that transform these elements into a government that fulfills its population, all of its population, while also reproducing itself regularly and without destructive trauma. We are still in the world of comparing and adjusting different equilibria rather than moving from one to another. The accumulation of knowledge and research is now at the point where we can foresee the emergence of a dynamic theory of effective government. This is our challenge as social scientists—and our next frontier!

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Winter, Soren, and Peter May. 2001. "Motivation for Compliance with Environmental Regulations." *Journal of Policy Analysis and Management* 20 (4):675-698.

- ¹ (see, e.g., Anderson 1974a; 1974b; Barr 2004; Ensminger 1992, 1999; Fearon and Laitin 1996, 2004; Henrich et al. 2004; Huckfeldt and Sprague 1987; Kahneman, Knetsch, and Thaler 1991 [1986]-a, 1991 [1986]-b; Mann 1986; 1993; Rose-Ackerman 2001; Rose-Ackerman 1999; Skocpol 1979, 1985; Tilly 1975; Wallerstein 1974)
- ² (North 1981). Also, see his earlier work on the "rise of the Western world" (North and Thomas 1973). My own "Theory of Predatory Rule," also published in 1981, was an effort to combine what I found of value in neo-classical economics with what I found of value in neo-Marxism in order to better understand the variation in revenue collection across countries and time (Levi 1981; also see Levi 1988).
- ³ For an excellent summary of the various perspectives, see Thelen (1999). For an effort to create a new convergence, see Katznelson and Weingast, eds. (2005)
- ⁴ Interestingly, the first three public presence APSA Task Forces have devoted themselves to these questions. Two have produced books: (Jacobs and Skocpol 2005; Macedo et al. 2005).
- ⁵ There is an interesting and on-going debate about the relative importance of initial conditions and institutional change and how to measure their impact. See (Acemoglu, Johnson, and Robinson 2002; 2005; 2004a; Przeworski 2004b; Sachs 2000; Sokoloff and Engerman 2000).
- ⁶ For an elaboration of this argument, see (Levi 2002).
- ⁷ (Bates 2001; Levi 1988, 1997; Tilly 1975, 1990)
- ⁸ See North 1981, x; (North 1990, 2005) Acemoglu, Johnson, and Robinson 2002;
- ⁹ (Bates 2001, 82-83)
- ¹⁰ (1993)
- ¹¹ (1988; 1997; 1998)
- ¹² See Bates (Bates 2005)
- ¹³ (Cook, Hardin, and Levi 2005, esp. chapter 9)
- ¹⁴ See, for example, (Fearon and Laitin 1996, 2004; Greif 1998; McMillan and Woodruff 2000)
- ¹⁵ See, for example the State Failure Task Force Report (Goldstone et al. 2000), the World Bank study on conflict (Collier et al. 2003), and the excellent edited volume, *When States Fail* (Rotberg 2004). For a useful methodological critique, see (Ward and Bakke 2005)
- ¹⁶ See the recent work by Stovel on effect of AIDs epidemic
- ¹⁷ (O'Connor 1973)
- ¹⁸ (Gates and Collins 2003)
- ¹⁹ (Moe 2005, 215 and passim)
- ²⁰ (Kuran 1995; Scott 1992)
- ²¹ (Boone 2003; Hechter and Brustein 1980; Laitin 1994)

- ²² (Bachrach and Baratz 1962; Lukes 1974)
- ²³ (Bachrach and Baratz 1963; Schattschneider 1960)
- ²⁴ See (Weingast 1998) on “win sets” and (Riker 1984; Schofield 2000) on heresthetics. There are rational choice scholars trying to sort through these issues, of course. See, especially, (Calvert 2002; Ferejohn 1991, 1993; Ferejohn and Satz 1995; Greif 1994; Mantzavinos 2001; Mantzavinos, North, and Shariq 2004) as well as several of the pieces in Katznelson and Weingast, eds. 2005.
- ²⁵ (Scott 1985)
- ²⁶ (Weingast 1995, 1)
- ²⁷ (Jervis 1978, 169)
- ²⁸ (Mehta 2003, 106)
- ²⁹ (North 1981, 20)
- ³⁰ (Levi 2000)
- ³¹ I take this phrase from Bates 2005. This question is also one of the central concerns of the APSA Task Force on Political Violence and Terrorism.
- ³² For an interesting summary and evaluation of the literature on credible commitments in the political economy of development, see (Keefer 2004)
- ³³ (Root 1989, 1994)
- ³⁴ Robert Jervis developed the concept of the “security dilemma” for inter-state relationships, and Nelson Kasfir adapted it to inter-group interactions. My discussion in this section is based on (Kasfir 2004).
- ³⁵ (Collier et al. 2003)
- ³⁶ See Levi 2000. I am also summarizing arguments from (Braithwaite 1998; Levi 1998); Cook, Hardin, and Levi 2005. Also, see (Hardin 2004)
- ³⁷ There is increasing body of hard evidence supporting this finding. I will address it more fully in a paper I am currently writing for the World Bank, but for some of the literature that offers empirical support, see (Bergman and Nevarez 2005; Bergman 2003; Fjeldstad 2004; Lieberman 2003; May 2004; Pinney and Scholz 1995; Scholz 1998; Tyler 1990; Winter and May 2001)
- ³⁸ For a more elaborated argument, see (Bueno de Mesquita et al. 2003)
- ³⁹ This claim harks back to the arguments about the structural dependence on powerful capitalists by democratic governments (see, e.g., Block 1977) as well as the arguments about relative bargaining power in North (1981), Levi (1981, 1988), and many others.
- ⁴⁰ This argument draws on Levi 1997 and Cook, Hardin, Levi 2005, chapters 8 and 9.
- ⁴¹ (Rodrik 2003, 13 and passim)
- ⁴² (Przeworski et al. 2000)
- ⁴³ (Bueno de Mesquita et al. 2003)
- ⁴⁴ For two of the best social science research programs on these questions, see (Stokes 2001a, 2001b) and (Bianco 1994).
- ⁴⁵ This argument that resulted represents an application and extension of Kreps’ (1990) theory of “corporate culture.” Also, see (Miller 1992) and (Levi 2005) and my recent

NSF grant, "Exploring Conditions of Cooperation and Sacrifice in Political and Social Settings."

⁴⁶ James McGregor Burn's presidential address cited here. But I am less concerned with the psychological predispositions of populace and leaders than with their competence, skills, and ability to induce preferences, perhaps what Burns in part means by desires.

⁴⁷ Lindblom but also Burns—see presidential addresses

⁴⁸ See, e.g. (Manion 2004)

⁴⁹ (Bowles 1998; Ensminger 1999; Fehr and Falk 1999; Henrich et al. 2004; Kahneman, Knetsch, and Thaler 1991 [1986]-a, 1991 [1986]-b; Tyler 1990)

⁵⁰ (Gintis 2003; Kurzban 2003; Ostrom 1998)

⁵¹ (Bowles 1998; Bowles and Gintis 2000, 2002; Hagan 1991; Huckfeldt and Sprague 1987; Ostrom 1990) Henrich et al. 2004.

⁵² (Wildavsky 1987). Several recent, important studies of ethnic violence and of nationalism (Beissinger 2001; Varshney 2002) support variants of this claim.

⁵³ (Sanchez-Cuenca in progress). Also, see (May 2004)