

# Why We Need a New Theory of Government

Margaret Levi

In the 1970s I was among a group of scholars endlessly debating theories of the state. Others in the discussion were my recent predecessor as APSA President, Theda Skocpol, and my immediate successor, Ira Katznelson. 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,<sup>1</sup> but with *Structure and Change in Economic History*, my then-colleague, economist Douglass North, transformed the debate by using economic models of transaction costs and property rights to model the state's role in economic prosperity over time.<sup>2</sup> 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.<sup>3</sup>

Once again we are increasingly part of the same conversation. We are driven by a common desire to understand what makes for good governments and how to build them.

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Good governments are those that are (1) representative and accountable to the population they are meant to serve, and (2) effective—that is, capable of protecting the population from violence, ensuring security of property rights, and supplying other public goods that the populace needs and desires. The most representative and accountable governments are in democracies, but not all democracies have effective governments, and there are relatively effective and even responsive governments in non-democratic states. Although I consider the role democracy may play, I am concerned here not with how to build democracy but how to promote good government, democratic or not. My focus is on effectiveness and on how responsiveness and accountability are implicated in effectiveness.

A major problem confronting the contemporary world is how to build effective governments where they do not exist. We have excellent descriptions and equilibrium theories to account for stable governments, good and bad. 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?

As social scientists, we have made considerable progress in identifying the key components of both good and problematic government. We can identify and model the incentives and constraints that promote or undermine governing capacity, and we know something about the role of formal institutions and norms. Normatively, we expect good governments to offer security of person and property but also to promote economic growth, relative equality, and political equity.<sup>4</sup> Positively, we know there are often trade-offs among these goals, and the choice that is made has consequences for who is best served by government and the kind of government that society then has.

What we lack is a dynamic theory, one that endogenizes the mechanisms of transformation. How do we move from a problematic equilibrium to one we prefer? How do we change an inequitable society to one that is just and

fair? How do we go from low participation to high? 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?

In making the case for why we need a new theory of government, I draw on a wide range of analyses of institutions and organizational governance as well as on significant research on protest and resistance. The theory of government I envision requires an interaction between the population and the governors. A top-down theory will not adequately account for many of the endogenous sources of change, but neither will one that emphasizes only social capital, civic engagement, and social norms as the essential elements for enhancing cooperation within civil society and for producing better government. A theory of effective government must also acknowledge the role of government in enhancing effective popular demands and civic capacity.<sup>5</sup> Governments are more likely to be effective when they can produce conditional consent<sup>6</sup>—or at least quasi-voluntary compliance.

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.<sup>7</sup> 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. The quality of government depends on the quality of institutions and constitutional design but also on the quality of leadership, the accuracy of beliefs held by the population about the nature of the world in which they live, and the existence of preferences for a society that is just and fair for the minority as well as the majority. 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.

## What We Know

To develop a theory of effective government that is theoretically compelling and empirically verifiable, while also useful for those seeking to improve governmental performance, requires us first to lay out what we know about the reasons for variation in governments; second, to clarify the ingredients of an effective government; and, finally, to figure out how to move from ineffective to effective government.

Actually, we know a lot. We remain influenced—if sometimes indirectly—by those earlier 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.<sup>8</sup> 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 centralized coercive power, preferably in the hands of a sovereign. 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.<sup>9</sup>

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 seventeenth century England may have relatively few similarities to twenty-first 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. 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 primarily 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. Many state-building efforts also require nation-building, the construction of attachments to a larger entity beyond religion, ethnicity, or tribe.<sup>10</sup> 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 low-level bureaucratic corruption, but it took centuries to attain that goal. And they are still some distance from eliminating high-level dishonesty. 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 a sense of common national identity and relatively high compliance with their laws, offers lessons for countries trying to build effective states today.

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.<sup>11</sup> 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.<sup>12</sup> 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 one possible 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.”<sup>13</sup> 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.”<sup>14</sup> 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 able to carry out their policies when they achieve quasi-voluntary compliance—that is, compliance motivated by a willingness to cooperate but backed by coercion.<sup>15</sup> 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, often with force. This in turn leads to the rise of armed gangs as the populace tries to protect itself from their own government.<sup>16</sup> 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 productive economic, political, and social interactions. Often, the response to insecurity is to develop networks of trust and obligation. However, networks can become more constraint on than facilitator of widespread cooperation, especially when they reinforce ethnic, race, and religious boundaries.<sup>17</sup> Recent political science and political economy offer some hints about how to build productive and secure interactions across villages, ethnic groups, and regional divides.<sup>18</sup> 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.<sup>19</sup> 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 epidemics, floods, and other catastrophes can be, especially when they deplete the revenues and staff of government.<sup>20</sup>

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,”<sup>21</sup> that is, that the demand for services by business as well as citizens would far outrun the revenues government could raise. A new form of fiscal crisis is a reality, at least among those states that spend but do not tax. The poorest among us depend on government services, but so do the rich.<sup>22</sup> Yet, in many developed democracies, there is increasing objection to taxes and considerable lobbying effort devoted to passing corporations’ expenses onto government.

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 a safe, equitable, and prosperous society whose government 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 analyses focus on objections to government and not enough on what government provides. 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 disguise how much we 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.”<sup>23</sup> 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 only includes some of the population, those capable of bargaining. It 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.<sup>24</sup> 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 United States.

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.<sup>25</sup> 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,”<sup>26</sup> failing to address the ways in which ideology, non-decisions and other forms of “mobilization of bias” keep key questions off the agenda.<sup>27</sup> “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.<sup>28</sup>

One way out of this conundrum is to use a different approach. We could develop more robust structuralist accounts or focus more self-consciously on expositions of the “weapons of the weak.”<sup>29</sup> There is something, indeed quite a lot, to be learned from these and other perspectives. 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.<sup>30</sup> 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. In particular, 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;
- make trade-offs, when necessary, among valued goals.

The following quotations capture the quandaries these tasks present:

A government strong enough to protect property rights . . . is also strong enough to confiscate the wealth of its citizens.<sup>31</sup>

Barry Weingast

Many of the means by which a state tries to increase its security decrease the security of others.<sup>32</sup>

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.<sup>33</sup>

Pratap Mehta

The existence of the state is essential for economic growth; the state, however, is the source of man-made economic decline.<sup>34</sup>

Douglass North

Distrust may be the problem, but trust is not the solution.<sup>35</sup>

Margaret Levi

Democracy is the worst form of Government except all those other forms that have been tried from time to time.<sup>36</sup>

Winston Churchill

In virtually every state- or government-building project, it is necessary to “tame the violence”<sup>37</sup> within the country’s borders, to stop the “roving bandits,” to halt ethnic violence and build a national identity, 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 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 just 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.<sup>38</sup>

The failure to achieve credible commitments is endemic, in large part because many rulers have no incentives to “tie their hands.”<sup>39</sup> The Idi Amins and the Saddam Husseins are illustrative. Having significantly weakened the opposition, they were without constraints on their opportunism or favoritism. What would ever induce such a head of state, particularly one with a reliable army, to agree to arrangements that will evoke automatic punishments should he violate the agreement? Yet, at least sometimes, competition for control of resources or international pressure may have that effect.<sup>40</sup>

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.<sup>41</sup> 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. The evidence suggests this contributes to, rather than reduces, the potential for violence.<sup>42</sup>

Any resolution of the problem of taming violence and establishing a government among those who have failed to solve the security dilemma can be “horrendous.” India, the case that inspired this quotation, had a traumatic transition to independence, 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 in some of its provinces. Despite these tragic events, there is also a hopeful lesson to be drawn from the India case. The security dilemma is, after all, a dependent variable, manipulable by government action. In some provinces in the transition period, violence did not occur. Even more telling is that India today has managed to survive as a multi-cultural democracy and even has a Muslim as a president.<sup>43</sup> There has been success in nation—as well as state-building.

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.”<sup>44</sup> Organizational design, not personal trust, is the key.<sup>45</sup> Essential are assurances that officials will do their duty and be caught and punished if they do not.

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.<sup>46</sup> 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 electorate is narrow and the minimum winning coalition tiny, then government is more likely to have discriminatory regulations and extractions.<sup>47</sup> 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.<sup>48</sup>

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 believe that officials are honest, 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.<sup>49</sup>

Democracy helps solve problems of compliance and confidence, but not fully. The transparency and contestation democracy encourages can undermine, sometimes appropriately and sometimes not, confidence in government agents. Nor does democracy easily solve the problem of trade-offs among different policy goals. Indeed, it may even exacerbate the problem by creating pork-barrel bargaining instead of rational calculation of the costs and benefits of different policies. Choices sometimes serve those with the loudest voices or most votes in the legislature rather than the collectivity as a whole.

This discussion leaves us with a 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 bread is going to rise.

## Essential Ingredients

In baking our bread, 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 or endogenizing 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
- realistic beliefs and expectations about the capacities and commitments of government and government actors
- 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.<sup>50</sup> They are what we generally mean by government. 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.”<sup>51</sup> 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.

We know considerably less about the other necessary elements of an endogenous theory of change.<sup>52</sup> The institutions are empty boxes without leaders and staff who have the capacity to produce the public goods the public demands and the facility to evoke popular confidence even among those who disagree with particular policies. To give but one example, both Pakistan and India inherited the same formal institutions from colonialism, but the difference between relatively ineffective and effective government in part rests in the difference between Jinnah’s and Nehru’s approach to post-colonial state-building.<sup>53</sup>

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. This is not a question of a Machiavellian Prince, who manipulates the populace to achieve his ends, but of a leadership that combines some of the strategic and other competences Machiavelli describes<sup>54</sup> with the Weberian “ethics of responsibility.”<sup>55</sup>

It is not easy to develop a model of leadership that is generalizable and replicable. There is a large literature on leadership, particularly of business but also of government.<sup>56</sup> The research demonstrates that leadership clearly can make a difference, for good or ill, and illuminates the factors leaders should consider.<sup>57</sup> Yet, still lacking is a model of the origins and means of ensuring good leadership. Hard as the task is, the job is one that social scientists must nonetheless undertake if we are to possess a dynamic theory of government change.

Leadership is empowered by institutions and popular support, but it also curbed by them. Hume, Madison, and many other political theorists emphasize organizational design as protection against knaves.<sup>58</sup> Their arguments provide a good starting point, but our theories must go further to specify what sets of constraints are most likely to motivate and produce able leadership and in what contexts and circumstances.

There is considerable rhetoric that representative democracy is the best design for effective government and may even make the quality of leadership less important. The evidence remains mixed, given that there are so many democracies that are unstable or poor<sup>59</sup> and so many, even among the richest, failing to serve large proportions of the population or to achieve other valued ends. 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.<sup>60</sup> 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.<sup>61</sup>

The quality of leadership is contextual, even in democracies. Churchill, quoted above, was renowned for his skills as a leader during war time but rejected as a leader during peace time. There are many examples of successful generals, elevated to head of state, who fail dismally at the new set of tasks they confront. There are legislators, such as Lyndon Johnson, so able at bargaining and reasonably effectual on domestic issues who stumble on foreign policy.

Leadership that serves one group may not serve another. 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.

Despite these many reasons to be skeptical about the possibility of mechanisms to improve leadership, we have made some progress—although far from enough—about how to elicit the best out of those leaders who are willing to improve their skills and competencies. Credible commitments and other incentive structures play a role, but also important are the more informal factors that ensure leadership responsiveness to constituents and constituency confidence in their leaders. Effective leaders operate according to principles that compose the identity of the governmental organization and that generate rules to guide behavior in the face of unforeseen contingencies.<sup>62</sup> For these principles to constitute the basis of effective government with constituent support, 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. Indeed, some of our most revered public leaders have made great personal sacrifices.

Governmental cultures are 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. Persistence of institutions requires occasional adjustment, and leaders must persuade relevant actors that change will best maintain the institution.

Even so, there are at least two dilemmas such leadership faces. First, it is difficult to reconcile democratic practice with rational and efficient policies.<sup>63</sup> The risks of choosing the wrong trade-off among possible policies are probably higher in developing countries without democratic accountability than in well-structured democracies, however. Quality leadership implies the capacity to understand that a trade-off might be necessary and what is gained and lost both immediately and for the future.

Second, leaders can be good for a country or bad for it. This we know. Particularly dangerous are those who are so ideological that they are unable to assess the actual realities of the world in which they live. Even more dangerous are those unable or unwilling to encourage feedback and learning. Institutions and incentives will not matter much for such leaders; only their exit and replacement by better leaders will help their countries achieve effective governments.

But what gives leaders the capacities to create and maintain effective government? 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. American media may make jokes about lawyers, but attorneys and others with advanced degrees are numerous among respected elected officials. Many without advanced degrees (and even some with) 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. One of the keys to the more successful transitions in post-Soviet governments appears to be the selection of elites with skills acquired through bargaining and negotiation.<sup>64</sup> Recent evidence suggests that successful post-colonial governments were those with a trained, native civil service and experiences of self-government.<sup>65</sup>

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. Leaders may supply institutions, but must also be restrained by them. This is only partially an effect of institutions and credible commitments. It may also be an effect of the moral obligations instilled in leaders. Most important is the extent to which they elicit quasi-voluntary compliance or a more active but contingent consent by means of transparency, responsiveness, and actual implementation of policies. Simultaneously, 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.

How do citizens and subjects come to have correct—that is, realistic and empirically-grounded—beliefs and expectations is one of the most critical questions contemporary social science must answer.<sup>66</sup> At least part of the answer lies with the information and signals government actors provide about actual and likely behavior, their own and that of those with whom they and their constituents will interact. Thus, the most important basis of transformed beliefs may be the change in expectations about government actors and services.

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,<sup>67</sup> but they also have the power to inspire change. Charisma is less at issue here than the capacity to change constituents' beliefs about the economy or society and

thus to convince them to accept policies better suited to the circumstances as they have come to be understood.

The issue of beliefs arose in the 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.<sup>68</sup> 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.

The possibility of transformation from an ineffective to effective government rests to a considerable extent on popular beliefs and the norms that result. People seldom want to change habits and norms that have protected them and promoted their individual ends unless they are convinced that the circumstances have truly changed. Peasants resist new farming techniques or persist in having numerous children, because these have long insured them against known risks. Populations, and their leaders, must come to understand and believe scientific evidence that promotes health. Those who rely on networks rather than markets or government often lack confidence in the legal system and must learn that the government is reliable. Attachment to traditional religions, even in extremist or fundamentalist forms, provide an accounting of the world that may fit with the reality adherents experience; changing the beliefs that support religious orthodoxies may require convincing adherents that they will get what they need from alternative sources. Leaders and government actors can change beliefs and help people to learn new ways of interacting in the society only to the extent that they can create confidence in the reliability and quality of government-provided information and services.

Good governments 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 to 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.<sup>69</sup> 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 evolution<sup>70</sup> 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. Networks or institutions can generate, sustain or even induce preferences.<sup>71</sup>

There are several aspects of institutional arrangements that permit individuals to act on their preferences. In some instances, they do this by making accessible outcomes that individuals prefer but had either never considered or thought impossible to achieve. 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.<sup>72</sup> 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, 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 their 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 gov-

ernment. I have identified mechanisms by which at least some of those components can—and have—come into being. Human agency, through leadership, belief reformation, 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 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. 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!

## Notes

- 1 See Anderson 1974a; Anderson 1974b; Mann 1986; Mann 1993; Rose-Ackerman 1999, 2001; Skocpol 1979, 1985; Tilly 1975; Wallerstein 1974.
- 2 North 1981. See also 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; see Levi 1981, 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 2005.
- 4 The first of the public presence APSA Task Forces have devoted themselves to issues of political and economic equality and equity. Two have produced books: Jacobs and Skocpol 2005; Macedo et al. 2005.
- 5 My own work supports this claim; see Cook, Hardin, and Levi 2005; Levi 1997; 1998. See also Rothstein 2005; Varshney 2002.
- 6 Consent is a contentious term (see Pateman 1988). However, it is a term I have used in my own work (see Levi 1997). I am self-consciously avoiding the word legitimacy here. Legitimacy is a complex concept that includes many elements, but no one—including Weber himself—has successfully sorted out which of the various elements are necessary or how to measure indicators or their interaction. Until we have a better definition, I prefer to concentrate on factors that indicate approval or acceptance of government and which are measurable.
- 7 There is an interesting and ongoing debate about the relative importance of initial conditions and institutions in understanding economic prosperity and growth. See Acemoglu, Johnson, and Robinson 2002, 2005; Bardhan 2004; Przeworski 2004b; Rodrik, Subramanian, and Trebbi 2004; Sachs et al. 2004; Sokoloff and Engerman 2000; Wilkinson, in progress.

- 8 For an elaboration of this argument, see Levi 2002.
- 9 Joan Tronto, in an e-mail exchange in October 2005, has made me sensitive to how simplifying my characterization of Hobbes is. However, this is the view of the Hobbes theory of government that dominates current positive research on state building.
- 10 The new literature on the sources and resolutions of ethnic conflict, a major component of state failure, emphasizes the conditions under which previously warring groups come to have confidence that they can cooperate with each other without fear of exploitation or worse. Largely, this depends on the establishment of government and political arrangements that facilitate rather than exacerbate violence. See Beissinger 2001; Hechter 1975, 2000; Varshney 2002; Wilkinson 2004.
- 11 Bates 2001; Levi 1988, 1997; Tilly 1975, 1990.
- 12 See Acemoglu, Johnson, and Robinson 2002; North 1981, 1990; 2005; Wilkinson, in progress.
- 13 Bates 2001, 82–83.
- 14 Olson 1993.
- 15 See Levi 1988; 1997; 1998.
- 16 See Bates 2005.
- 17 Cook, Hardin, and Levi 2005, esp. chapter 9. See also Tilly 2005.
- 18 See, for example, Fearon and Laitin 1996; Fearon and Laitin 2004; Greif 1998; McMillan and Woodruff 2000.
- 19 See, for example, Goldstone et al. 2000; Collier et al. 2003; and Rotberg 2004. For a useful methodological critique, see Ward and Bakke 2005.
- 20 de Waal 2003; Stovel 2004.
- 21 O'Connor 1973.
- 22 Gates and Collins 2003.
- 23 Moe 2005, 215 and *passim*.
- 24 Kuran 1995; Scott 1992.
- 25 Boone 2003; Hechter and Brustein 1980; Kiser 1994; Kiser and Barzel 1991; Laitin 1994.
- 26 Bachrach and Baratz 1962; Lukes 1974.
- 27 Bachrach and Baratz 1963; Schattschneider 1960.
- 28 See Weingast (1998) on “win sets” and Riker (1984) and 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 2005.
- 29 Scott 1985.
- 30 This is, of course, the argument of Bates et al. 1998.
- 31 Weingast 1995, 1.
- 32 Jervis 1978, 169.
- 33 Mehta 2003, 106.
- 34 North 1981, 20.
- 35 Levi 2000, 137.
- 36 Churchill 1974.
- 37 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.
- 38 For an interesting summary and evaluation of the literature on credible commitments in the political economy of development, see Keefer 2004.
- 39 Root 1989, 1994.
- 40 This is the line of argument pursued by many scholars. See North and Weingast 1989; Rosenthal 1998.
- 41 Robert Jervis (1978) developed the concept of the “security dilemma” for inter-state relationships, and Barry Posen (1993) adapted it to inter-group interaction. My discussion in this section draws from Kasfir (2004).
- 42 Collier et al. 2003.
- 43 Steven Wilkinson made this point to me in an e-mail exchange in October 2005.
- 44 See Levi 2000.
- 45 I am summarizing arguments from Braithwaite 1998; Cook, Hardin, and Levi 2005; and Levi 1998. Also, see Hardin 2004. In the Cook, Hardin, and Levi formulation, trust refers only to rational beliefs, based on considerable personal knowledge and ongoing interactions, in the trusted’s motivations and competence to perform a given task in a given context.
- 46 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 2002; Fjeldstad 2004; Lieberman 2003; May 2004; Pinney and Scholz 1995; Scholz 1998; Tyler 1990; Winter and May 2001.
- 47 For a more elaborated argument, see Bueno de Mesquita et al. 2003.
- 48 This claim harks back to the arguments about the structural dependence on powerful capitalists by democratic governments (see Block 1977; Przeworski and Wallerstein 1982), as well as the arguments about relative bargaining power in Levi 1981, Levi 1988, Knight 1992, North 1981, and many others.
- 49 This argument draws on Levi 1997 and Cook, Hardin, Levi 2005, chapters 8 and 9. See also Rothstein 2005.
- 50 They are the subject of two recent presidential addresses (Keohane 2001; Ostrom 1998), which influenced my thinking. See also their subsequent publications (Keohane 2002; Ostrom 2005).
- 51 Rodrik 2003, 13 and *passim*.
- 52 There are several important recent contributions to this question from varying perspectives. Greif and Laitin (2004) offer a rational choice, equilibrium theory account. Thelen (2004) suggests a historical institutionalist approach.

- 53 Weiner 1989. See Grzymala-Busse (2002) for comparisons in the transitional societies of Eastern and Central Europe.
- 54 There is a huge literature on Machiavelli. Here I am drawing heavily on Keohane 2005.
- 55 Weber 1958.
- 56 One APSA presidential address was devoted to this subject; see Burns 1977.
- 57 A good current example is Keohane 2005.
- 58 Hume 1947; Hamilton, Jay, and Madison 2000. Brennan (1998), on the other hand, argues that the key to good governmental leadership is recruiting those with the right motivation.
- 59 Przeworski, Alvarez, Cheibub, and Limogi 2000.
- 60 Bueno de Mesquita, Smith, Siverson, and Morrow 2003; Lake 1992.
- 61 For two of the best social science research programs on these questions, see Bianco 1994; Stokes 2001a, 2001b.
- 62 This argument represents an application and extension of Kreps' (1990) theory of "corporate culture." See also Miller 1992, Levi 2005, and my recent NSF grant, SES 0517735, "Exploring Conditions of Cooperation and Sacrifice in Political and Social Settings."
- 63 Arrow 1951.
- 64 See, e.g., Grzymala-Busse 2002; Luong Jones 2002.
- 65 Wilkinson in progress.
- 66 Again I am building upon earlier calls for understanding beliefs and learning. See especially Keohane 2002; North 2005; Ostrom 1998.
- 67 Lindblom 1982.
- 68 See Manion 2004.
- 69 Bowles 1998; Ensminger 1999; Fehr and Falk 1999; Henrich et al. 2004; Kahneman, Knetsch, and Thaler 1991a, 1991b; Tyler 1990.
- 70 Gintis 2003; Kurzban 2003; Ostrom 1998.
- 71 On networks, see Bowles 1998; Bowles and Gintis 2000, 2002; Hagan 1991; Henrich et al. 2004; Huckfeldt and Sprague 1987; Ostrom 1990. On institutions, see Wildavsky 1987; Beissinger 2001; Varshney 2002; Rothstein 1998.
- 72 Sanchez-Cuenca, in progress. See also May 2004.

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