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Crime and Violence
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# BOOK REVIEW. VIOLENCE AND SOCIAL ORDERS: A CONCEPTUAL FRAMEWORK FOR INTERPRETING RECORDED HUMAN HISTORY, BY DOUGLASS C. NORTH, JOHN JOSEPH WALLIS, AND BARRY R. WEINGAST

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**W**hy societies differ in their level of violence? This is the question addressed by North, Wallis, and Weingast. To provide an answer they must develop a rich theory of how individuals and organizations that compose a human group voluntarily surrender their will to act violently in exchange for participating in a society with improved conditions for the creation and conservation of wealth.

To organize their knowledge of human societies, North, Wallis, and Weingast (NWW) propose the concept of social order, defined by violence, institutions, and organizations. They identify three general social orders (the foraging order, the natural state, and the open access order), find the basic rules of each of these, and discuss the conditions of transit across them.

In contemporary times, the foraging order is nearly extinct. In it, human groups are small (perhaps no larger than 25 to 50 individuals) and repeated interaction is the main factor supporting control of violence within the group. However, violence across groups erupts when population growth increases the size of groups and the number of groups within a territory. Historical evidence is limited, but the main hypothesis is that in these usually ancient societies, coalitions of powerful agents develop as elites that create institutions to control violence and protect their wealth, and thus, the natural order is becoming.

In our times, societies tend to operate in a natural order or in an open access order. In the natural order the powerful form coalitions to countervail their power and thus limit violence. This class of arrangement to control violence depends upon holding together the interests of groups and coalitions that view their participation as an earned privilege, and are therefore unstable, relatively short-lived, and prone to crisis and burst and waves of violence. Within the class of natural order societies, the authors distinguish the fragile, the normal and the mature. Fragile cases do not develop state institutions and while they reduce violence with respect to foraging societies,

they are short lived due to the frequent shocks on the sources of its stability, such as individual leadership, and equilibrium in the supply and demand for food.

The normal natural state achieves significant institutional development, but organizations are defined as dependent of the government; here, the Aztec and the Carolingian empires are the leading examples presented by NWW. The legal persons created in the normal natural state are hierarchical and their existence and functioning is subject to the risk of changes in the ruling coalition. Personal relationships underlie the existence and operation of any institution, and corporations and other organizations keep a significant capacity to use violence for defense of to attack other elite groups when the correlation of forces justifies it (with justification being simply the ability to take over property and life without compensation).

To move towards a mature natural state, a society begins to develop a concept of public and private law, institutions begin to operate with a personality independent of the physical person (including to some extent the personality of kings and other rulers), and the use of force begins to concentrate in the government. A main development is that the leaders of organizations can be constrained to use violence by the institutional structure: a bishop by a cathedral college, a noble by a court, a city leader by the bylaws of the community. Nevertheless, mature natural states as well as the two other varieties (fragile and normal), access limit to organizational forms and control trade. Otherwise, the equilibrium achieved by the ruling elites could be disrupted by newcomers capable of generating deviating trade and taking away wealth sources from the elite groups.

To move from a natural state towards an open access order, a society develops three "doorstep conditions": rule of law for the elites, perpetually lived forms of public and private elite organizations—including the state itself—and consolidated political control of the military. Here, an underlying assumption in the analysis becomes clearer: there are large gains from the division of labor and from operating in a larger economy. To the extent that economic specialization develops, organizations have complementary roles, in comparison with less complex societies where elites compete doing essentially the same functions (e.g. controlling production and distribution of food). The large gains from specialization preclude the possibility of sustaining personal relations between members of corporations, and a main development takes place: constituents of the elites become endowed with impersonal rights. With respect to the nature of organizations, mature natural states are capable of creating large impersonal legal persons, but these are not effective in carrying on long-term contracts. In contrast, in an open access order, public and private organizations are not only impersonal, but they can carry on trade and long-term commitments independently of the identity of their owners or controllers. In a mature natural state, large organizations—such as the religious, the city councils, the trade associations and many others— owe their existence to the coalition of the elites, to the highest rank in society—a king or a pope—, while in an open access order many legal persons are created and exist with independence of the political authority.

The doorstep condition on the control of violence, the consolidated political control of the military, turns out to be the more difficult to achieve in the move from a natural order to an open access order society. If specialization is the driving force in the development of institutions to control violence, specialization in the use of force is a corollary. Consistent with the general argument of NWW, the unification of the control of force is a development that cannot be driven by a single agent. The natural order achieves balance when powerful elites maintain independent

forces that countervail each other. When that element is eliminated, only the rule of law for the elites can sustain the peaceful interaction of individuals and organizations.

The authors dedicate a chapter rich in historical information to explain how a few national societies move from an equilibrium based upon deterrence towards a cooperative equilibrium, from a natural order towards an open access order, from a peace based on fear among the powerful to a belief in collective protection from violence for all on equitable terms. While they do not use the word, we can say their argument is evolutionary: not all mature natural states achieve the transition, the transition is not the result of a conscious effort, and success requires a delicate balance between gradual gains by the elites from having property in a more productive economy and their loss of privilege.

Britain, France, and the United States are the three nations studied in more historical detail as instances of open access orders. In all cases, an open access order equalizes the application of the law and also the economic opportunities for individuals, who become citizens. Among other things, this means the adoption of public services after which the government receives support of citizens; in particular, the programs of social insurance play a key role in guaranteeing the social order. The extension of citizenship can be a slow process, and the authors see incomplete results on the racial and religious fields even in the more advanced open access nations. However, in issues of social insurance, of protecting the risk of laborers and their families, they see that after controversies and violent struggles that took place since the 19th century, after World War II open access societies move decisively towards integration. By providing citizens with a long-term commitment to protection that is independent of the individual relations with the powerful, social insurance favors long-term investment in human capital and the division of labor, and solves a major credibility problem for the state of being able to solve problems without expropriating or affecting a group in particular.

Why are economists studying violence? The control of violence has become a main issue in economic debates on the welfare of societies and their capacity to grow. This emphasis is possible after three theoretical developments that arrived to economics during the third quarter of the 20th century and that produced a truly new paradigm on the analysis of the state: the view of the state as a coalition of agents that acts under objectives and restrictions, the economics of information and the Coase theorem; North, Wallis, and Weingast employ extensively these three in their analysis. To illustrate further how the new approaches have been used in the analysis of violence, I explain now the discussion by Myerson (2009) on the creation of the new state in Iraq, after the Second Gulf War.

The intervention of the United States proposed to establish a new state that would work as a constitutional and democratic republic, as an open order access in NWW terminology. Myerson starts analyzing the book by Bremer, et al. (2006), who was the virtual governor of Iraq, as well as the *Counterinsurgency Field Manual FM 3-24* of the U.S. Army and Marine Corps (2007), which pretty much provides an alternative version of "state construction".

In Myerson's view, political leadership has a role in the founding of the state and economic theories on the construction of a nation have great relevance for practical problems we faced during the first decade of the millennium. Three key aspects in this respect are: a) the vital role of rents of the agents of the government (these are elite groups in NWW's framework), b) the

essential role of the political leadership at highest level to affect those incomes through the chains of command and responsibilities, and c) the problem of cultivating democratic leadership (this is a doorstep condition in NWW's terminology). In contrast, Bremer's theory on the state is summarized through the goals he set to reconstruct Iraq: a) a professional police, non-corrupt and attentive to human rights, b) not having an army involved in internal matters, nor a militia, and c) to transmit sovereignty to an Iraqi government on the basis of a constitution.

The Bremer plan was to develop the draft constitution with representation of large groups of the Iraqi society (Sunni, Shia, Kurdish, Turkish, Christian, as well as representatives of tribes and genders). There would be a popular ratification of the constitution and, later, elections. To make the selection of the group that would develop the project on a purely demographic basis would have wasted knowledge on existing and known leaders, and thus Bremer exercise could not have been democratic. The idea was that the constitution would provide a stable equilibrium in which the power of each would be offset by others, and that everyone would accept the rules of the constitution (this was closer to a mature natural state in NWW). However, as both Myerson and NWW point out, it is clear in the history of many countries that a constitutional document is neither necessary nor sufficient for the development of a republican system. Indeed, the elaboration of a draft constitution is usually an undemocratic exercise, controlled by a small committee dominated by a few politicians. The part of the ratification is democratic with more likelihood and far as we know there is no important case where voters get the option to choose between several constitutions. A case of contemporary relevance is the European Union, where at least on three occasions constitutional documents have been put to the vote in each member country (the Treaties of Rome, Maastricht and Lisbon).

With regard to having a professional and not-corrupt police, Bremer opinion ran against the view of the military command that wanted to install a police quickly, even if it was less trained. History says as well that in many republics professional police forces have arisen a long time after the establishment of the state. The military side confronted the problem of seeking from soldiers respect for a Constitution that did not exist, and which should be applied by a government that did not exist either. To deal with this issue Bremer proposed the development of institutions that would serve as "social shock absorbers" to protect individuals from the power of the state, and included trade unions, political parties, and professional associations. However, Myerson observes, in Iraqi history, including recent history, tribes and religious groups have played that role predominantly. Thus, Myerson wonders whether the objective of the Bremer plan was to create new institutions to crowd out the previously existing. Again, from the perspective of the NWW framework, the Bremer plan seems to be an attempt to move Iraq towards a mature natural state.

Bremer also emphasized the importance of vetoing the former regime officers involved in criminal activities and law enforcement. Thereon, Myerson says that if democracy is a system of incentives to encourage better performance, it is expected that people who acted badly under the old regime will behave better when their political fate depends on winning popular elections. This would justify less emphasis on the des-Baatification of Iraq (the Baat being the political party of the old regime). When viewed using the NWW framework, the Bremer scheme is not consistent on this point: the move towards a mature natural state does not involve the elimination of "old bad elites", but their incorporation to less personal institutions. However, this delicate issue points out to the ethical and incentive conflicts involved in convincing members of the elites to cooperate

peacefully in a more mature environment; how far can a new republic go in forgiving crimes committed in the past? Whatever the value of the promises of the new regime, there are also values in providing victims with justice.

Myerson moves on to comment the *Counterinsurgency Field Manual FM 3-24* (CFM), which proposes an alternative road to nation-building: a) to adopt stabilizing actions, securing and controlling the local population and providing basic services; b) to the extent that safety is improved, use military assets to contribute to the government in reconstruction projects, c) to gain the initiative over the counterinsurgency, take offensive action against insurgents, keeping the defensive operations to protect the population and the infrastructure, d) victory is obtained when the population consents the legitimacy of the government and stops supporting actively and passively the insurgency. An aspect Myerson notes from the CFM is that it poses as a main point one of competition between the capacity of the insurgency and the counter-insurgency to win popular support. Of course, the existence of an insurgency means that the government is weak and there is no accepted democratic mechanism to recognize the views of the population. The CFM models the insurgents as an elite group that inexorably has to come into contact with the general population to win influence. In turn, the incentives of the population to provide information to the government depend upon the perceived probabilities of success of the insurgents. These expectations can generate multiple equilibriums and result in "focal-points" (Schelling 1981). According to Myerson this defines the legitimacy of the government: a government is legitimate when everyone thinks that everyone else will obey it. To achieve that the Iraq government provides tolerably good services, the CFM sees an obstacle in the possibility of promoting officials on the basis of personal connections and not of competencies. To deal with this it instructs to follow a policy of recruiting staff of various social groups and provide training for their work in small teams with tribal and political diversity, and only after developing leadership for the highest levels.

The last paragraph points out to several commonalities in Myerson's and NWW's analysis: to advance to a mature natural order and even a more open order, the government has to be perceived as a superior provider of services than the elite groups that dominate normal natural order; beliefs by the population can lead to alternative solutions, because the population can shift allegiance back from the impersonal state to the elite groups; and finally, open and meritocratic recruitment by the state police forces is needed to provide equal treatment.

Myerson also takes issue with the approach Bremer proposed to build a chain of command from below, because there is no guarantee that the future leadership recognizes the ongoing efforts of those who support the government. Even the recommendation to establish internally diverse police units can prevent forming the confidence needed to function effectively. Apparently, the CFM uses an ideology that teaches leaders compliance with niches constitutionally defined after a popular election. The counter-insurgency plays a role in promoting leaders with honesty stories to fill those niches in a new state, and cannot rest in institutions of civil service and evaluation (such as courts and the general accounting office) that a state that has functioned for a long time posses. That is why Myerson as acceptable the hypothesis of the need to define a single chief to lead the state's counter-insurgency construction operations. In that vision, the head is the provider of credible promises of patronage required to control the state and society. So it was that in the "surge" of 2007, when United States troops were followed closely by government agents offering sponsored jobs to build networks of loyalty in the districts. This also requires that

prior to the momentum there be a satisfactory agreement on what political network will be the beneficiary of the expansion. In addition, given the promises and probabilistic beliefs that the United States will not act as colonial power, there was uncertainty about the ability to sustain rewards to top leaders once the army of that country had left the territory. Colonial powers have greater capacity to carry out long-term agreements with political networks that include also long-term rewards. This claim cannot be isolated; the other side of the coin is that local networks should be able to provide public services for which they are created. In this view, which considers that political competition is the best way to discipline policy networks, there is also a risk that groups initially favored do not accept the rules of the democratic process.

Thus both NWW and Myerson agree in that when the foundations of the state are under inquiry, it may be wrong to think of the constitution as the basis of democratic government. The vision of state provided by Myerson is as a team of officials whose system of incentives must be managed by a political leader with the vital asset of reputation to reward loyal followers. This is a theory that applies in democracies and dictatorships, indeed to any system of government. What comes first: the leadership or the constitution? In the opinion of Myerson, the theme of leadership comes first in a new state. A successful leader should encourage its active supporters to gather regularly to assess his performance, and his main constraint is the ability to maintain the trust of that group. In an established constitutional republic a leader works for years learning standards and demonstrating behavior, and does it within well-defined groups that restrict their behavior, so that his reputation is built in such an environment. A new system may require resting more on reputation and individual leadership skills. At the same time, these leaders must respect previous commitments with groups that lead them to power, so it is not feasible to issue a constitution that ignores that history.

According to Myerson, the hope of democracy is that competition for the votes of the population generally motivates political leaders to maximize the value of the public services offered less the cost of the benefits of patronage distributed to their agents, subject to the basic incentives limitations of government administration. So in a successful democracy, political leaders should achieve a reputation to serve the voters, as well as to reward loyal supporters. Under this perspective, the best strategy for Iraq was to maximize opportunities for development of democratic reputations and local leaders' service: first local elections and not a national election, and to allow budget allocation to the local public services and reconstruction. The policy to maintain close control from the part of the United States may have reduced corruption, but also directed patronage opportunities towards American politicians and not towards the Iraqis. Similarly, Myerson argues, Bremer formed an interim government that sought to diversify the cabinet, which took away from the Iraqi government its main tool for the distribution of patronage. The thrust of lending credibility to the government in its capacity of reward loyal players was thus lost.

*Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* is a rich endeavor that links economics with historical research. Hopefully, it will provide a guide to economic historians for research and debate. North, Wallis, and Weingast concentrate their batteries on British and American history, and somewhat less on France. Yet, certainly the Reformation was an engine of change for a large share of the European society and perhaps a prerequisite for the events in Britain during the 16th and 17th centuries. The only detailed references to the history of the Caribbean and Latin America in the book are to ancient Mexico and to 20th

century Mexico. I do not think this reduces the value of the book, which never aims to be encyclopedic, but it certainly motivates further discussion. As our discussion around Myerson establishes, the NWW framework can also be relevant to the study of current policy challenges, and thus a wide field is open for research.

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