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VIOLENCE AND THE RISE OF OPEN-ACCESS ORDERS

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Every explanation of large-scale social change contains a theory of economics, a theory of politics, and a theory of social behavior. Often the theories are implicit, and even more often, the theory of economics and the theory of politics are independent of each other. Despite a great deal of attention and effort, social science has not come to grips with how economic and political development are connected either in history or in the modern world.

The absence of an integrated theory of economics and politics reflects a lack of systematic thinking about the central problem of violence in human societies. How societies deal with the ubiquitous threat of violence shapes human interaction. In our forthcoming book, we develop a conceptual framework that explains how, over the last ten millennia, societies have used institutions to limit and contain violence. These institutions simultaneously give individuals control over resources and social functions, and limit the use of violence by shaping the incentives that individuals and groups face. We call these patterns of social organization *social orders*. Social orders are characterized by the way in which societies craft the institutions that form human organizations, limit or open access to those organizations, and shape incentives to limit and control violence.

Human history has known just three types of social orders. The first was the *foraging order*: small social groups characteristic of hunter-gatherer societies. Our concern is with the two social orders that arose over the last ten millennia. The *limited-access order* (or *natural state*) emerged between five and ten thousand years ago, and was associated with the increasing scale of human societies. Increasing scale is accomplished through a hierarchy of personal relationships among powerful individuals. Personal relationships among the elite form the basis for political organization and constitute the grounds for individual interaction. A natural state is ruled by a dominant coalition; people outside the coalition have only limited access to organizations, privileges, and valuable resources and activities. *Open-access orders* emerged in the nineteenth century, and are associated with the beginnings of sustained economic and political development. Identity, which in natural states is inherently personal, becomes defined in open-access orders by a set of impersonal characteristics. The development of impersonal categories of individuals, often called citizens, allowed people to interact over wide areas of social behavior where no one needed to know the individual identities of their partners. The ability to form organizations that the larger society supports is open to everyone who meets a set of minimal and impersonal criteria. Both limited- and open-access social orders have public and private organizations, but natural states limit access to those organizations. Open-access societies do not.

The emergence of societies with widespread political participation, the use of elections to select governments, constitutional arrangements to limit and define the powers of government, and unbiased application of the rule of law is a product of the transition from limited- to open-access societies. If “democracy” is defined as a social system that creates responsiveness to citizen interests and polices corruption, then experience shows that it requires more than elections; the formal political institutions of democracy do not produce modern societies by themselves.¹ Open access to organizations in both the polity and the economy animates elections, and a democratic society requires open access in both. A free press—representing open access to information—is also essential to democracy. The transition entails a set of changes in the polity that ensures secure, impersonal political rights; legal support for a wide range of organizational forms (including political parties and economic organizations); access to those organizations for all citizens; and enforcement of prohibitions against the use of violence. The transition also entails a set of changes in the economy: the ability to create economic organizations at will, open entry and competition in many markets, and the free movement of goods and individuals over space and time. Over the long term, open-access politics cannot be sustained without open-access economics, and vice-versa. Although evidence from the last few decades is mixed, over the last two centuries, political and economic development appear to have gone hand-in-hand.²

An underappreciated feature of the codevelopment of political and economic institutions in the two social orders helps to explain why poor countries stay poor. Economic growth occurs when countries are able to sustain positive growth rates in per capita income over the long term. The evidence suggests that until about 1800, the long-run growth rate

Poor countries are not poor because they grow more slowly; they are poor because they experience more years of negative income growth and more rapid declines during those years.

was close to zero: For every period of increasing per capita income, a corresponding period of decreasing income occurred.³ Modern developed societies that made the transition to open access and subsequently became wealthier than any others in human history, did so by greatly reducing their episodes of negative growth.⁴ The historical pattern of offsetting periods of positive and negative growth episodes is apparent in the modern world where we have comprehensive data. Using data on

per capita income for 184 countries between 1950 and 2004, we calculated annual growth rates and then separated the years by whether the economy was growing or shrinking.⁵ Surprisingly, the richest countries were not distinguished from poorer ones by higher positive growth rates when they grew. In our dataset, the richest non-oil countries with per capita incomes over US\$20,000 grew at an average annual rate of 3.9 percent in years when income was growing and fell at an average annual rate of 2.3 percent when income was shrinking. In contrast, incomes in countries where the per capita share was less than \$20,000 grew at an average annual rate of 5.4 percent when income was rising, but shrank at a rate of 4.9 percent when income was falling. Even more strikingly, the rich countries experienced positive growth in 84 percent of all years, while poor countries experienced positive growth in only 66 percent of the years. The poorest countries, with per capita incomes below \$2,000 a year, experienced positive growth in only 56 percent of the years. Poor countries are not poor because they grow more slowly; they are poor because they experience more years of negative income growth and more rapid declines during those years.⁶

While economic outcomes do not map directly onto political outcomes, the slow but steady growth of open-access societies suggests that modern development is not the result of faster growth per se, but instead results from new forms of political, economic, and social organization that make a society much better able to handle change. The difference between the respective economic performances of limited-access and open-access societies reflects the differential ability of the two social orders to deal with change, including a wide range of sudden changes or shocks.

Our conceptual framework does not posit a static social equilibrium,

but instead offers a way of thinking about societies that face shifting constraints and opportunities. The dynamism of social orders is a dynamic of change, not a dynamic of progress. Most societies, especially natural states, move backwards and forwards with respect to political and economic development.

All societies must face the problem of violence. Controlling violence through repeated personal contacts can only sustain cooperation among small groups of maybe twenty-five to fifty people. In larger groups, few individuals have sufficient personal knowledge of all the members of the group, so personal relationships alone cannot be used to control violence. In larger societies, social institutions must arise to control violence. No society eliminates violence; at best, violence can be contained and managed.

Dealing with violence requires institutions and organizations. Institutions are the “rules of the game,” the patterns of interaction that govern and constrain the relationships among individuals.⁷ Institutions include formal rules, written laws, informal norms, and shared beliefs about the world, as well as the means of enforcement. The critical question is what types of institutions can survive given the interactions of institutional constraints, people’s beliefs, and their behavior.⁸

In contrast to institutions, organizations are made up of individuals pursuing a mix of common and individual goals through partly coordinated behavior. Organizations coordinate their members’ actions, so an organization’s actions are more than the sum of the actions of the individuals who belong to it.

We distinguish two types of organizations: An *adherent organization* features self-enforcing agreements among its members. Third parties are not involved. Cooperation by adherent organizations’ members must be, at all times, “incentive-compatible” for all members. *Contractual organizations*, by contrast, use within themselves not only incentive-compatible agreements but contracts enforced by third parties external to the organization. Third-party enforcement allows individuals to commit to a subset of arrangements that may not otherwise be incentive-compatible. Our framework revolves around the development of institutional forms that can support complicated and sophisticated contractual organizations, both inside and outside the state.

Modern open-access societies often limit violence through institutions. Institutions frame rules that deter violence by changing the payoffs expected from violent behavior—most obviously by establishing credible punishments for those who are violent. People are more likely to obey rules, even at considerable cost to themselves, if they believe that other people will obey the rules as well.⁹ An individual has an incentive to shoot first and talk later when he fears that others will fail to follow such rules. In order for a formal institution to constrain violence, some organization must exist in which a set of officials enforces the rules in an impersonal

manner. The larger the society, the larger the set of enforcers that must somehow be organized.

Most social scientists abstract from the question of how the enforcers are actually organized, treating them as a single entity in order to focus on the relationship between the enforcement entity and the rest of society. For example, social scientists have modeled the state as a revenue-maximizing monarch, a stationary bandit, or a single-actor “representative agent.”¹⁰ As Max Weber famously said, the state is that organization which has a monopoly on the legitimate use of violence. Collapsing the identity of the state into a single actor or ruler greatly simplifies the problem of explaining state behavior.

The single-actor model of the state, however, assumes away the problem of how societies create a monopoly on violence. This approach also overlooks the reality that all states are organizations. We take another path to understanding the state. The process of controlling violence is central to how individuals and groups behave within a society and how a coalition emerges to structure the state and society. Choosing this path requires us to formulate a model of the state as an organization of several actors rather than a single actor.

The Logic of the Natural State

The logic of the natural state follows from its manner of coping with violence. Individuals and groups with access to violence form a dominant coalition, granting one another special privileges. These privileges—including limited access to organizations, valuable activities, and assets—create rents.¹¹ By limiting access to these privileges, members of the dominant coalition create credible incentives to cooperate rather than fight among themselves. Because the coalition’s members know that violence will reduce their own rents, each has incentives not to fight. In this way, the political system of a natural state manipulates the economic system to produce rents that then secure political order. Members of the dominant coalition typically specialize in a range of military, political, religious, and economic activities.

Systematic rent-creation through limited access in a natural state is not simply a method of lining the pockets of the dominant coalition. It is the essential means of controlling violence. Rent-creation and limits on both competition and access to organizations are central to the state, its institutions, and the society’s performance.

To understand the logic of how the dominant coalition functions, it is helpful to lay out an illustrative example. Consider a world of endemic violence in which the population is made up of many small groups with no organized governments. Though all individuals must stand ready to defend their rights by force of arms, some individuals specialize in the use of violence. The violence specialists may provide protection to a small group of

clients, but the biggest threat facing the specialists is one another. If two specialists try to agree to disarm, the first to put down his weapons risks being killed by the other. Therefore, both specialists remain armed.

In order for the specialists to stop fighting, each must perceive that it is in the other's interest not to fight. The prospect of peaceful cooperation between the specialists becomes credible when *both* believe that the costs of fighting exceed the expected benefits. This arises when the two specialists divide their world, one part controlled by each specialist, and where each respects the other's right to control the land, labor, resources, and trading within his sphere. The specialists do not disarm, and each controls a set of rents and privileges. To be credible, the commitment requires that the violence specialists are both better off when there is peace, generating rents through the rights that they control.

Gathering rents from society in turn requires elites who specialize in other activities. In a natural state, each nonmilitary elite either controls or enjoys privileged access to a vital function, such as religion, production, resources, trade, education, or the administration of justice. Because of their positions, privileges, and rents, the individual elites in the dominant coalition depend on the regime to keep entry limited. All elites therefore have incentives to support and help maintain the coalition: Failure to do so risks violence, disorder, and the loss of rents.

Among the most valuable sources of elite rents is the privilege of forming organizations that the state will support. Elite organizations generate rents and distribute them to coalition members. By devising ways to support contractual organizations and then extending the privilege of forming those organizations solely to its members, the dominant coalition generates and distributes rents.

The incentives embedded in these organizations produce a *double balance*: a correspondence between the distribution and organization of violence potential and political power on the one hand, and the distribution and organization of economic power on the other. Societies that are out of balance are less stable: When a subset of members believes that its share of the rents is smaller than its capacity to fight, it is likely to threaten violence to gain what it believes to be its due. Double balance suggests that stability requires that the political, economic, cultural, social, and military systems contain sets of incentives that are compatible across the systems. Because the dominant coalition in any natural state is an adherent organization, peace is not inevitable: Rather, peace depends on the balance of interests brought into being by the rent-creation process.

The framework generates two implications. First, natural states are stable, but not static—no dominant coalition is permanent. As conditions change, some members of the dominant coalition become more powerful and others weaker. Violence and even civil war are possible, as those who are growing more powerful seek greater privileges. Dispersed military power—a classic example is a set of feudal barons, each with his own

castle and private force of armed retainers—is central to the logic of the natural state. In this way, the threat of violence becomes part of the arrangement that controls the actual use of violence.

Second, privileges in the natural state solve the problem of violence, but, in comparison with open-access orders, the existence of these privileges greatly hinders economic growth by creating monopolies, rents, limits on the formation of new organizations, and an absence of widespread, secure, and impersonal property rights. This suggests a fundamental dilemma of development: The means by which developing countries, as natural states, solve the problem of violence hamper long-term growth. Nonetheless, these societies are not sick; they cannot be made well by applying the right policy medicine.

The Logic of Open Access

Open-access orders control violence through a logic that differs from that of natural states. These more open societies create powerful, consolidated military and police organizations that are subservient to political systems which satisfy Weber's condition of having a monopoly on the legitimate use of violence.

Consolidating control of violence carries the danger that the state may wield force for its own ends. As a result, the control of violence in the open-access order involves three elements: 1) The political system creates consolidated control of military and police forces; 2) a set of institutions and incentives constrains the political system and limits the illegitimate use of violence; and 3) an open-access economic system combines with political institutions to prevent the political system from manipulating economic interests, and ensures that if a political group abuses its control of the military, it will lose office. Control of violence in the larger society occurs both through deterrence (the threat that the state will punish illicit uses of force) and through denying nonstate organizations that use violence access to enforceable organizational supports.

Competition for control over the political system is open to entry by any group and contested through prescribed, and typically formal, constitutional means. These societies are characterized by open access: All citizens have the right to form contractual organizations. The ability to form organizations at will, without any need for the state's consent, helps to ensure nonviolent competition in the polity and the economy—indeed, in every area of society that is characterized by open access.¹² When embedded in a constitutional setting with institutions that provide credible incentives for the protection of various rights, open access and democratic competition prevent illegitimate uses of violence.

Impersonality is a central feature of open-access orders: Everyone is treated the same. Impersonality grows out of the structure of organizations and the ability of society to support impersonal organizational

forms—that is, organizations with their own identity independent of the individual identity of the organization’s members. In legal terms, organizations become *perpetually lived*, meaning that their existence is independent of the lives of their members. Perpetually lived organizations must have an impersonal identity.¹³ Only over the last five centuries did the identity of the organization truly become independent of the identity of its members.

Competition in an open-access order differs from competition in natural states for two reasons. We have already mentioned the limits that the open-access order places on competition through violence. In addition, these societies sustain impersonal relationships on a large scale. Impersonality fundamentally changes the nature of competition by creating impersonal markets and impersonal exchange. Individuals and organizations pursue rents as vigorously as in a natural state, but in an open-access society impersonal economic and political competition rapidly erodes rents.

In his 1942 classic *Capitalism, Socialism, and Democracy*, Joseph Schumpeter described this process of innovation and change in the economy as “creative destruction.” Economic competition occurs through the development of new products and services, rather than simply through the offer of lower prices. When an organization invents a valuable product or service not easily duplicated by its competitors, the innovation creates a source of rents. Organizations form to exploit new opportunities and to pursue the rents associated with innovation. Open entry and access to sophisticated economic organizations are prerequisites for creative destruction and a dynamic economy.

Schumpeter’s approach has an important implication for political behavior. Because the constellation of economic interests regularly changes through innovation and the entry of new players, politicians must deal with a world that is fundamentally different from the one which their natural-state counterparts face: Open-access orders cannot manipulate interests in the same way that natural states can. Politicians in both natural states and open-access orders want to create rents. Rent-creation rewards their supporters and binds their constituents to support them. Because open-access orders enable any citizen to form organizations for a wide variety of purposes, rents created by either the political process or economic innovation attract competitors in the form of new organizations. The relative ease with which organizations may be formed means that those hurt by rent-formation have the ability to mobilize in ways that are not available in natural states. Further, in Schumpeterian terms, political entrepreneurs have incentives to put together new coalitions and organizations to compete for the rents. In open-access politics, just as in open-access economics, creative destruction rules.¹⁴

Like natural states, open-access orders exhibit a double balance: Open access and entry to organizations in the economy support open access in politics, and open access and entry in politics support open access in the

economy. Open access in the economy generates a large and varied set of organizations that act as primary agents of creative destruction. This forms the basis for the existence of an active civil society, featuring many groups that can mobilize politically when they fear that their interests are being threatened. Creative economic destruction produces a constantly shifting distribution of economic interests, making it difficult for political officials to solidify their advantage through rent-creation. Similarly, open access in politics results in creative political destruction through party competition. The opposition party has strong incentives to monitor the incumbent and to publicize attempts to subvert the constitution.

A final characteristic of open-access orders is adaptive efficiency.¹⁵ As with natural states, open-access orders face various shocks. Open-access orders provide more flexible means of adapting in the face of such challenges. By virtue of open access, these societies generate a range of new ideas in the face of dilemmas. Political competition provides those in power with strong incentives to adapt policy in ways that address the problem; failing to do so risks losing power. The political system also embodies Schumpeterian creative destruction, as the political opposition has especially strong incentives to devise creative solutions to dilemmas that incumbents seemingly cannot solve.¹⁶

Open-access orders are therefore better than natural states at generating new ideas and at discarding bad ideas in the face of the omnipresent unfolding of new problems. The open-access order's adaptive efficiency is in part responsible for its much greater ability to achieve long-term growth, where poor countries (as natural states) remain poor because they are much less able to withstand shocks than are open-access countries.

The Logic of the Transition

Limited-access orders predominated overwhelmingly until just a century or two ago, making them seem the "natural state" of humankind. This prompts the question: How do natural states become open-access societies? In seeking to understand this transition, we confront two obstacles. First, the transition begins in the natural state and must therefore be consistent with the logic of that state. So how does the transition ever get started? An explanation of the transition must show how conditions arise within a natural state that put elites in a position where, consistent with the logic of the natural state, they find it in their interest to transform personal and privileged intralite arrangements into *impersonal* ones that treat all elite members the same way.

Second, how do impersonal arrangements within the elite translate into open access for those who are not members of any elite? Some scholars frame the question as "Why do elites give up their privileged position in society by allowing nonelites full participation?" This approach is prob-

lematic: It carries the implication that elites give something up, but it is not clear that they do.¹⁷ We frame the question differently: “Why do elites transform their unique and personal privileges into impersonal rights?”

When elites create impersonal open access for themselves to political and economic organizations, they may also create incentives to expand access to the nonelite population as well. The transition, as a result, has two stages. First, a natural state must develop institutional arrangements that enable elites to create the possibility of impersonal intraelite relationships. Second, the transition proper begins when members of the dominant coalition find it a matter of self-interest to expand impersonal relationships and to institutionalize open access for all.

We call the conditions in a natural state that foster impersonal relationships among elites the *doorstep conditions*. The doorstep conditions reflect institutional and organizational support for increased impersonal exchange. The three doorstep conditions are: 1) the application of the rule of law to the elites; 2) the creation of perpetually lived elite organizations in both the public and private spheres; and 3) consolidated political control over the military.

In combination, the doorstep conditions create an environment that fosters impersonal elite relations. Applying the rule of law among elites extends the range of the contracts and relationships that can flourish and makes possible mutual dependencies that could not survive without some form of credible legal protection. Perpetually lived organizations can undertake a wider range of economic and political activities. Moreover, political institutions that bind not only today’s officials but tomorrow’s require creating a perpetually lived state. Most limited-access orders lack such states. Consolidated control over the military removes the need for elites to maintain alliances with military factions.

Once elite relationships become impersonal, new possibilities begin to open up. If a society on the doorstep creates and sustains new incentives for elites to open up one sort of access followed by another within the elite, then a transition proper ensues. Nothing, however, inevitably impels a society on the doorstep to make the transition.

During the transition proper, all elites gain the right to form organizations—be they political, economic, or social. At that point, the logic holding the dominant coalition together has changed from the natural-state logic of rent-creation through privileges to the open-access logic of rent-erosion through entry.

Our approach has significant implications for a wide range of problems, including economic development, the theory of the state, and democracy.¹⁸ In the remaining space, we concentrate on the implications for democracy.

An important conclusion flowing from our conceptual framework is that the same institutions work differently under conditions of limited as opposed to open access. Markets, for example, perform differently in natural states than they do in open-access orders because the former are

characterized by extensive privileges, limited access to organizations, and the absence of secure, impersonal property rights.

Implications for Democracy

This lesson has special force with respect to democracy: Elections and party competition work differently in natural states than they do in open-access orders. This view contrasts with the dominant scholarly view, which follows that of Adam Przeworski and his coauthors and includes the lion's share of empirical studies.¹⁹ The dominant view defines democracy in terms of whether a country sustains competitive elections with peaceful partisan turnover. Similarly, the popular press commonly identifies democracy with the existence of elections. This approach to democracy lumps together elections in limited-access orders with those in open-access orders.

We have a different perspective. Although elections are central to democracy, democracy is not solely about elections, as Robert A. Dahl argued in his landmark 1971 work *Polyarchy*. As a set of institutions in an open-access order, democracy gives citizens a degree of control over political officials, thereby generating responsiveness to citizens' interests while helping to limit corruption. For democracy to work, elections must be embedded in an institutional environment that allows political competition to constrain politicians as well as to convey information to them. Elections in natural states typically fulfill these functions either inadequately or not at all. Indeed, a host of important differences distinguish elections in limited-access orders from their counterparts in open-access orders. These differences show that only open-access orders can sustain democracy in the sense of citizen control over governments and officials.

Open-access orders can deliver policies to citizens on an impersonal basis. This allows such orders to provide a wide range of public goods and large-scale social-insurance programs of the type that are missing from natural states. Poverty-reduction programs can be targeted to reach the poor, as measured by impersonal and observable characteristics; driver's licenses can be issued to anyone who meets an age requirement and passes a competency test; unemployment benefits are available to those who contribute to the system and meet the impersonal requirements for being unemployed.

Impersonal delivery of public goods and services prevents political officials from threatening to withhold such goods as a means to manipulate citizens. By contrast, when natural states provide public goods on a personal basis, officials can use the threat of taking them away to force citizens to support the incumbents.²⁰ The provision of publicly provided goods in natural states combines with elections to provide natural-state governments with a way to keep citizens in line. Under such circumstances, elections do not represent the free exercise of citizen choice.

Impersonal delivery of public goods has another important implication for the success of democracy. Many scholars emphasize democracy as a means of redistribution: If a country includes more low- and middle-income voters than rich ones, then democracy is likely to result in the redistribution of wealth from the richer to poorer voters.²¹ This analysis, however, ignores the means for redistribution that exist if the government is able to deliver redistribution impersonally. Impersonal policies allow open-access orders to respond to citizens in ways that complement markets so that these policies become a positive-sum game.²² Social-insurance programs are not simply means of redistribution; they lower individual risk from market participation.²³ Natural states cannot credibly deliver impersonal public services, so the poor have incentives to use their votes to secure cash transfers. These states are therefore more susceptible both to populist appeals launched by factional leaders who seek to shift wealth and to coups meant to prevent such shifts. This double vulnerability to sudden populist and antipopulist maneuvers is the dark side of democracy, a side often visible in natural states.

Open access typically supports an effective opposition and a competitive electoral process. It supports a rich civil society, fostering a wide range of economic, political, and social groups that can mobilize interests and help to constrain democratic policy making. Schumpeterian competition constantly produces new interests and groups. Widespread access to organizations makes it difficult for public officials to manipulate economic interests in support of the regime. In contrast, most natural states inhibit or compromise electoral competition—for example, by the use of violence to intimidate opposition, by limits on citizens' ability to organize and the opposition's to compete, and by restrictions on freedom of the press.

Taken together, the differences that distinguish limited-access from open-access orders explain why elections in the former do not perform the same functions that they do in the latter. Elections in open-access orders implement the democratic ideals of citizen expression and control over political officials in ways that elections simply cannot accomplish in natural states. Open access limits the stakes of power; creates perpetually lived organizations that survive crises and partisan turnovers; allows a wider range of groups to form and mobilize; allows more effective competition for office; and allows the impersonal provision of public goods and services.

The ability of open-access orders to sustain political competition depends on their parallel ability to sustain open-access economic competition. It is not simply the form of the institutions in open-access societies that makes democracy work; it is the dynamic relationships among political, economic, and other social systems that result when the ability to create organizations is open to all. In order to spread democracy—and not just elections—more widely, we must learn how to induce societies to adopt social arrangements that move them to the doorstep conditions beyond which sustainable impersonal relationships can develop. Then the problem becomes one of

fostering the spread of those political and economic institutions to wider shares of the populace. Sustainable democracy requires not only an open-access polity, but an open-access economy too.

NOTES

1. The growing literature on authoritarian elections emphasizes this point. See Beatriz Magaloni, "Credible Power-Sharing and the Longevity of Authoritarian Rule," *Comparative Political Studies* 41 (April 2008): 715–41.

2. In *Political Man: The Social Bases of Politics* (Garden City, N.Y.: Anchor, 1959), Seymour Martin Lipset asked why sustainable democracy seemed to require economic development. Whether a causal link exists between democracy and economic development, and if so which way the link runs, remains an open question. See more recent work, including Adam Przeworski et al., *Democracy and Development: Political Institutions and Well-Being in the World, 1950–1990* (New York: Cambridge University Press, 2000); Robert J. Barro, *Markets and Choices in a Free Society* (Cambridge: MIT Press, 1996); and Daron Acemoglu et al., "Income and Democracy," *American Economic Review* 98 (June 2008): 808–42.

3. For evidence about long-term growth before 1800, see Gregory Clark, *A Farewell to Alms: A Brief Economic History of the World* (Princeton: Princeton University Press, 2007); see also Robert W. Fogel, *The Escape from Hunger and Premature Death, 1700–2100: Europe, America, and the Third World* (New York: Cambridge University Press, 2004), 20–22.

4. Since we have no reliable way of gauging annual per capita income before 1800, the idea that the recent growth in developed countries is due to the elimination of negative-growth episodes remains an assertion, but one that accords with evidence about economic performance in the past.

5. The following discussion summarizes the analysis of Table 1.2 in Douglass C. North, John Joseph Wallis, and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge: Cambridge University Press, 2009), ch. 1.

6. More sophisticated empirical confirmation is provided by Dani Rodrik, *Making Openness Work: The New Global Economy and the Developing Countries* (Washington, D.C.: Overseas Development Council, 1999); Garey Ramey and Valerie A. Ramey, "Cross-Country Evidence on the Link Between Volatility and Growth," *American Economic Review* 85 (December 1995): 1138–51; and Ahmed Mushfiq Mobarak, "Democracy, Volatility and Development," *Review of Economics and Statistics* 87 (May 2005): 348–61.

7. Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (New York: Cambridge University Press, 1990), 3–4.

8. See Avner Greif, *Institutions and the Path to the Modern Economy* (New York: Cambridge University Press, 2006); and Barry R. Weingast, "Rational Choice Institutionalism," in Ira Katznelson and Helen V. Milner, eds., *Political Science, State of the Discipline: Reconsidering Power, Choice, and the State* (New York: W.W. Norton, 2002).

9. Margaret Levi, *Consent, Dissent, and Patriotism* (New York: Cambridge University Press, 1997).

10. Three well-known examples are Geoffrey Brennan and James M. Buchanan's notion of the state as Leviathan, Douglass C. North's neoclassical theory of the state, and Mancur Olson's idea of the state as a stationary bandit. Other models include Douglass C. North,

Structure and Change in Economic History (New York: W.W. Norton, 1981); Yoram Barzel, *A Theory of the State: Economic Rights, Legal Rights, and the Scope of the State* (New York: Cambridge University Press, 2002); Robert Bates, Avner Greif, and Smita Singh, "Organizing Violence," *Journal of Conflict Resolution* (October 2002): 1–65; Bruce Bueno de Mesquita et al., *The Logic of Political Survival* (Cambridge: MIT Press, 2003); and Charles Tilly, *European Revolutions, 1492–1992* (Cambridge, Mass.: Blackwell, 1992).

11. A rent is a return to an economic asset that exceeds the return which the asset can receive in its best alternative use. If a person is only willing to work at a particular job for \$10 an hour, but not for \$9.99 an hour, and is paid \$15 an hour, she receives a rent of \$5 an hour. Importantly, rents can be created or increased by limited access—for example, when the state grants an individual monopoly privileges over an activity.

12. Although organizations such as corporations require state approval, open entry occurs when the state approves one for any group that meets a minimal set of requirements.

13. A perpetually lived organization is *not* infinitely lived, but an organization whose existence is independent of the lives of its members. For example, a modern corporation is a perpetually lived organization. Because a modern partnership must be reorganized on the death of a partner, it is not perpetually lived.

14. For a sophisticated discussion of rent creation, see Mushtaq H. Khan and Kwame Sundaram Jomo, *Rents, Rent-Seeking and Economic Development: Theory and Evidence in Asia* (New York: Cambridge University Press, 2000).

15. Friedrich A. von Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960); Douglass C. North, *Understanding the Process of Economic Change* (Princeton: Princeton University Press, 2005).

16. William H. Riker, *Liberalism Against Populism: A Confrontation Between the Theory of Democracy and the Theory of Social Choice* (San Francisco: W.H. Freeman, 1982).

17. For an example of this approach, which stresses how elites, threatened by revolution or civil unrest, grant nonelites concessions such as democracy, see Daron Acemoglu and James A. Robinson, *The Economic Origins of Dictatorship and Democracy* (New York: Cambridge University Press, 2006).

18. We deal with several of these issues in *Violence and Social Orders*, ch. 7.

19. Przeworski, et al., *Democracy and Development*.

20. Alberto Diaz, Beatriz Magaloni, and Barry R. Weingast, "Tragic Brilliance: Equilibrium Party Hegemony in Mexico," Working Paper, Hoover Institution, Stanford University, 2008. The authors analyze this use of elections as a means of exerting control over citizens.

21. The classic work is Allan H. Meltzer and Scott F. Richard, "A Rational Theory of the Size of Government," *Journal of Political Economy* 89 (October 1981): 914–27. See also Acemoglu and Robinson, *Economic Origins of Dictatorship and Democracy*.

22. Geoffrey Garrett, *Partisan Politics in the Global Economy* (Cambridge: Cambridge University Press, 1998), 5, makes a similar point.

23. Moreover, as the term "social-insurance programs" suggests, these policies are more about insurance than about redistribution. See Peter H. Lindert, *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century*, 2 vols. (Cambridge University Press, 2004).