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STRATEGY PAPERS



Autocracies Failed and Unfailed

Limited Strategies for State Building

Stephen D. Krasner

Foreword by James B. Cunningham

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Limited Strategies for State Building

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Foreword

The global state-building experiment that began at the end of the Cold War is, at best, a limited success. One would be hard pressed to find examples of full blown achievement, and from the many instances where efforts have fallen short and even failed, we have seen how complex the state-building enterprise is in the real world. We have learned that the fundamental challenge to promoting better governance in closed autocracies is that opportunities to improve the political climate are in large part dependent on the preferences of national elites. Focused on maintaining and building their own wealth and power, these elites are most often dedicated to preserving the status quo and undermining or sabotaging any attempts to construct the inclusive institutions necessary for the growth of democracy. Without the endorsement of these elites, external aid programs are fated to struggle and risk failure.

As a former US Ambassador to Afghanistan, I have first-hand experience with this kind of work. In this report, Stephen Krasner, who is one of the most respected scholars and practitioners in this field, provides insight and perspective which can help us address this fundamental problem. By adhering to a “good enough governance” strategy, the United States can make meaningful gains in our development and governance efforts around the world while taking into account the reality of elite influence.

While autocratic leaders may be willing to accept reforms in order to reduce the threat of disaffection, or to promote other objectives in their interest—including access to international assistance and recognition, full-scale inclusivity is in most cases unrealistic, as it would undermine the power of the elites whose basic aim is preservation and consolidation of control.

As the world becomes more turbulent and the human security of many of the world’s citizens is threatened, the United States and its many allies will work to improve conditions in autocratic regimes. This has been and will remain in our interest and consistent with our values. An understanding of the political realities that exist in these places, and a nuanced strategy for responding to them, is essential to improve success in these efforts.



This paper offers a way forward to improving our analysis of the many considerations involved in improving work to reduce poverty, increase global health, raise wages, minimize corruption, and promote democracy around the world. I expect that this Atlantic Council Strategy Paper, the third in an already impressive series, will add to the discussion about America's role in the world, especially as it relates to the development of other states. To end state failure, we must better inform our perspectives so that we can build a world of prosperous states and citizens. This report is a step in the right direction.

James B. Cunningham, former US Ambassador to Afghanistan

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Atlantic Council

Executive Summary

The fundamental challenge for modern wealthy democracies committed to promoting better governance is that their opportunities are hostage to the preferences of national elites in closed-access polities, where political power is exercised in arbitrary ways, and where most of the population lacks access to services, including the rule of law. The nature of an elite is to be self-interested, and to that end, elites work to maintain political control, offering them the most assured path to wealth and power. They will not support programs for free and fair elections, the general elimination of corruption, or the creation of Weberian legal-rational bureaucracies that treat all citizens equally according to law, as any of these could threaten their access to power and wealth. Despite the potential for corruption, the support or endorsement of local political elites is a necessary condition for success. Without such support, external actors will fail in their efforts to improve local governance. They must therefore focus on modest objectives that include the preferences of the national elites.

Three Kinds of Polities

There are three kinds of polities in the contemporary world. The first is the Organization for Economic Cooperation and Development (OECD) world, which is composed of wealthy consolidated democracies. The high-income, consolidated-democracy members of the OECD have effective governance. In the OECD world, government authorities are able to exercise authority—albeit, not always perfectly—over a dizzying range of activities including policing, the penal system, contract enforcement, property-rights protection, social-welfare payments, education, health, infrastructure, healthcare, macroeconomic management, disaster relief, and anticompetitive activities.¹ The arbitrary exercise of power is checked by many different mechanisms, including elections and courts, as well as professional organizations, NGOs, civil activists, and independent media.

In “closed access,” or “exclusive,” polities, citizens do not have the right to form organizations. Only the elite have access to the legal system, so political leaders and other powerful figures are not constrained by the rule of law. Citizens’ economic well-being is primarily determined by their political connections. State policies create opportunities for corruption that provide direct benefits to political leaders or their supporters. Corruption may be tamed, but it cannot be eliminated; leaders could not stay in power without illegal resources. Elections are manipulated. Civil-society organizations are constrained. There is no free and independent press. Businesses are beholden to the state. At best, political parties engage in clientilistic practices that benefit



only selective groups. At worst, individual corruption is pervasive, and corrupt funds end up in private bank accounts in Dubai, the Cayman Islands, or some other tax haven. There is no creative destruction. Economic innovation is limited, because technological advances can upend the hierarchy of political power. When political elites lose power in closed-access orders, there are no comfortable retirement programs or cushy, well-paying lobbying opportunities. Loss of office can mean political exile, or even death. The difference in status, money, and security between being in office and out of office is huge. Political elites do not go quietly into the night.

The third kind of polity lies between open-access and closed-access orders. It is easy enough to theoretically describe such polities, but difficult to identify them empirically. In mixed-access orders, some members of the political or economic elite have an interest in open-access orders with effective rule of law available to all citizens; others do not. Political leaders in mixed-access polities might have life experiences that allow them to operate effectively in both closed-access and open-access orders. Mixed-access polities have adopted the same ambitious template for the scope of government activities that exists in the advanced, industrialized democracies. In mixed-access polities, more public goods will be provided than is the case in closed-access orders. There are more opportunities for external actors to improve governance because, for whatever reason, there are more individuals among the elite interested in the same objective. However, there is no guarantee that a mixed-access order will make the jump to the OECD world. Moreover, identifying mixed orders—and the individual members of the elite within them who could effectively support better governance and reforms that might eventually lead to consolidated democracy—is a daunting task, one that requires more intimate knowledge of polities than most US officials are likely to have.

Good Enough Governance

Merilee Grindle, a faculty member at Harvard University's Kennedy School of Government, coined the term "good enough governance" in 2004. She argued that the good-governance agenda adopted by many of the major aid agencies—such as the World Bank, Department for International Development (DFID), United States Agency for International Development (USAID), United Nations Development Program (UNDP), and the International Monetary Fund (IMF)—was overly ambitious and failed to take into consideration the institutional contexts and needs of specific states. She pointed out that the number of items included in the good-governance agenda had grown indiscriminately.² The idea of good governance did not provide guidance for how governance issues should be addressed in specific contexts.

Grindle argued that governance interventions must be tailored to the conditions of the target state. The opportunities for improvement are, for instance, much more limited in fragile states than in those with more institutional capacity and legitimacy. Providing some measure of security should be a first-order priority.³

Three elements of “good enough governance” have been identified and this paper examines how these may manifest in the previously identified polities;

Security - The first goal of good enough governance must be to provide some level of security. Without a minimum level of security, economic growth and the provision of many services will be impossible. It is easier to move from a closed-access polity with no security to one with some security than it is to move to an open-access order that provides almost all of its citizens with security, access to the rule of law, the right to form organizations, and the protection of property rights.

Better security now is not a guarantee of stability in the long run, especially if a regime cannot secure good enough inclusion, but there may be no better short- or medium-term options. Better security is the necessary condition for the better provision of some services and for economic growth. Higher levels of economic growth make the transition to intermediate, or even full, democracies more likely, but this is a long and unpredictable process. Even with security, some countries may make the jump to open-access orders, with high wealth and consolidated democracy. Others may stall out or deteriorate, with the wielders of violence unable to maintain order within their own territory.

Better Service Provision - Even in rent-seeking, closed-access polities, external actors can contribute to the improvement of some services. The key condition for success is that such activities do not compromise the ability of political elites to secure resources, especially resources that they need to pay off those that keep them in power.

Economic Growth and Job Creation - Even where political elites use rent-seeking to pay off key supporters and repress independent organizations, external actors might be able to support some policies that would be consistent with economic growth, or at least with job creation. The overall record of foreign assistance is problematic. Some studies have found no relationship between foreign assistance and growth. Others found a negative relationship, and others a small positive one. There are arguments that suggest that aid impedes growth, because it breaks the relationship between rulers and citizens. If rulers get their resources from foreign actors, they will respond to the preferences of donors rather than their own citizens. Often, external donors will be most interested in the external policy compliance of recipient countries' leaders.⁴ Even when donors are interested in promoting economic growth, they may support initiatives that are suboptimal, or even counterproductive, because they lack intimate knowledge of the local environment.⁵ Other analysts, following the logic of modernization theory, have argued that aid can promote growth by providing capital or technology.

Conclusion

Over the long term, good enough governance might, or might not, alter the incentives of elites in ways that would make them more amenable to supporting changes that would embed their



polities in a new equilibrium: an open-access order that would be confidently defended by at least a minimum coalition of national elites. The most confident assumption that can be made about the behavior of elites is that they will always be self-interested, not altruistic. That said, changing material, security, and political conditions could alter the incentives of elites enough so that their first-best option would be to depend on an open-access order, or at least some aspects of such an order. There may be saints in this world, exceptional leaders who are willing to put their own material interests and security at risk for the greater good, but foreign policies designed to support better governance cannot be premised on such an optimistic assumption. No matter what external actors do, there is no guarantee that the incentives of national elites would change enough to make them prefer inclusive, rather than exclusive, orders. In the future, as in the past, historical contingency, random events, unpredictable accidents, malevolent leaders like Joseph Stalin or Robert Mugabe, or benevolent ones like George Washington or Paul Kagame, will be critical determinants of the trajectories along which different polities might move. History can be understood ex-post, but not ex-ante.

In general, initiatives to encourage economic growth would be the most promising initiatives that could be taken by external actors trying to encourage movement toward a world of consolidated, democratic states. Greater prosperity does not guarantee consolidated democracy, but it does make it more likely. Growth requires some reasonable level of public order. This level of order would initially have to be provided by rule by law—not rule of law—and by security forces beholden to self-serving political elites. In polities where there is some tolerable degree of security, advanced democracies might consider unilaterally opening their markets, especially to manufactured goods produced by low-cost labor. They should support NGOs that might circumvent state bureaucracies. They should encourage bilateral investment treaties that include third-party enforcement of contracts. Ideally, OECD countries should robustly enforce their own foreign-corrupt-practices acts, although this might be counterproductive in polities where China offers substantial aid. In trying to improve conditions in autocratic regimes, whether failed or not, it will be necessary to put aside aspirations for democracy, for rule of law, and for efficient and rational bureaucracies. External actors must focus on more modest objectives where there is some complementarity between their preferences and those of national elites.

In presenting such policies to their own publics, leaders in the OECD world should emphasize, first, the importance of the national security of their own countries and, second, the benefits that citizens of target countries would gain from a situation in which these citizens have more security, better job prospects, and some improvement in service delivery. This is not an ideal situation, but the ideal situation of open-access, peaceful, well-functioning polities is not attainable in the short and medium run in many countries that are likely to be of the most security concern for leaders in the OECD world.

Introduction

The fundamental challenge for modern wealthy democracies committed to promoting better governance is that their opportunities are hostage to the preferences of national elites in closed-access polities, where political power is exercised in arbitrary ways, and where most of the population lacks access to services, including the rule of law. The overriding objective of these elites is to maintain political control, which offers them the most assured path to wealth and power. These elites will not support programs for free and fair elections, the general elimination of corruption, or the creation of Weberian legal-rational bureaucracies that treat all citizens equally according to law, as any of these could threaten their access to power and wealth. The support or endorsement of political elites is a necessary condition for success; without such support, external aid programs will be frustrated or sabotaged.

If local elites are focused on keeping themselves in power and enhancing their own wealth and security, and can only do so by paying off a relatively limited set of supporters, then even the best-intentioned external state builders will face limited opportunities. Success will only be possible for programs that are consistent with the interests of national elites uninterested in, or hostile to, better governance. In a closed-access order dominated by private payoffs, there will not be sustained growth, though there might be some opportunities for improvement in daily conditions and better job prospects. Individual security might improve, but the military and police could still act arbitrarily. Some services could improve, especially in the area of health, because these services would not threaten the rent-seeking opportunities of political leaders. Autocratic political leaders might be persuaded to accept more tolerance for excluded groups, because such practices might reduce disaffection that could threaten the regime—but full-scale inclusivity will be impossible, because it would undermine the power of political elites who rely on a narrow base of support. External actors cannot, however, hope to put such polities confidently on a path that leads to consolidated democracy, respect for a wide range of human rights, well-functioning rational-legal bureaucracies, or security forces that provide order and are constrained by law.

Three Kinds of Politics

There are three kinds of politics in the contemporary world. The first is the Organization for Economic Cooperation and Development (OECD) world, which is composed of wealthy consolidated democracies. The only OECD members that have not achieved high per-capita income and full democracies are Mexico, Greece, and Turkey. Politics in the OECD are all “open-access,” or “inclusive,” orders. Almost all citizens within such politics have access to the legal system and the right to form organizations. An individual’s economic prospects are not primarily determined by party affiliation, or by some ascriptive characteristic like family or clan membership. Economic transactions are primarily determined by the market, not by the state. Anyone can start a business. The state provides physical security, property rights, and mechanisms for contract enforcement, but it does not set the terms of contracts or provide most of the jobs in the economy. The political system is a full democracy, and elections are free and fair. Parties compete on the basis of programmatic party platforms that offer different packages of public goods to the electorate, not on the basis of clientilistic rewards that offer private goods to party supporters. Citizens are free to form civil-society groups. The press is independent. Politicians can only stay in power if they can attract the support of the majority, or plurality, of the electorate. In the open-access world, politicians must accept creative destruction, in which established industries are supplanted by new ones that capitalize on innovative technologies. Corruption is limited. Scrutiny is pervasive, and accountability is effective. Political leaders leave office when they lose elections; while their status and power may decline, their income may go up. In open-access politics, former leaders are never exiled. If they end up in jail, it is because a justice system that follows the rule of law has found them guilty of some criminal activity.⁶

The high-income, consolidated-democracy members of the OECD have effective governance. In the OECD world, government authorities are able to exercise authority—albeit, not always perfectly—over a dizzying range of activities including policing, the penal system, contract enforcement, property-rights protection, social-welfare payments, education, health, infrastructure, healthcare, macroeconomic management, disaster relief, and anticompetitive activities.⁷ The arbitrary exercise of power is checked by many different mechanisms, including elections and courts, as well as professional organizations, nongovernmental organizations (NGOs), civil activists, and independent media.

In contrast, in “closed access,” or “exclusive,” politics, citizens do not have the right to form organizations. Only the elite have access to the legal system, so political leaders and other



powerful figures are not constrained by the rule of law. Citizens' economic well-being is primarily determined by their political connections. State policies create opportunities for corruption that provide direct benefits to political leaders or their supporters. Corruption may be tamed, but it cannot be eliminated; leaders could not stay in power without illegal resources. Elections are manipulated. Civil-society organizations are constrained. There is no free and independent press. Businesses are beholden to the state. At best, political parties engage in clientilistic practices that benefit only selective groups. At worst, individual corruption is pervasive, and corrupt funds end up in private bank accounts in Dubai, the Cayman Islands, or some other tax haven. There is no creative destruction. Economic innovation is limited, because technological advances can upend the hierarchy of political power. When political elites lose power in closed-access orders, there are no comfortable retirement programs or cushy, well-paying lobbying opportunities. Loss of office can mean political exile, or even death. The difference in status, money, and security between being in office and out of office is huge. Political elites do not go quietly into the night.

The degree of governance, as well as the ability of public authorities to regulate activities within and across the state's borders, varies in closed-access, exclusive polities. The expansive script for government responsibility in the contemporary world has been provided by the wealthy, and advanced, industrialized democracies. Many poorer, closed-access countries have assumed responsibility for the same range of activities, but have neither the material nor administrative resources to fulfill these self-imposed obligations. States have social-security programs written into law, even when they lack money to pay for them. Even if public authorities in closed-access, exclusive orders cannot possibly exercise effective governance over all of the issue areas for which they have assumed responsibility, in some polities they are able to effectively control those activities that are critical for maintaining and defending their power. These polities can have an effective police force that can hunt down, kill, or jail dissenters, regardless of whether they have formally broken the law. They can have an effective intelligence apparatus that allows authorities to quickly identify dissenting voices. In some cases, such as North Korea, central political authorities can control many, if not all, aspects of the lives of their citizens. In other cases, such as Somalia, public authority—at least centralized public authority—has broken down completely. In failed states, defined by very limited state control over territory and functions, the best that external actors can hope for is enhanced security, some service provision, and more jobs.

In closed-access states where public authorities have created a more secure environment, there may also be more opportunities for economic growth. In closed-access polities, with or without security, programs that threaten the political position of autocratic rulers will be rejected or subverted.

The third kind of polity lies between open-access and closed-access orders. It is easy enough to theoretically describe such polities, but difficult to identify them empirically. In mixed-access

orders, some members of the political or economic elite have an interest in open-access orders with effective rule of law available to all citizens; others do not. In China, for instance, a successful businessman who has developed his company without help from the state and can earn a profit in competitive international markets will do better in an open-access world. In an open-access order, his wealth and property will be more secure. He will not have to bribe public officials. He will not be subject to international sanctions. Governing elites in China, in contrast, are threatened by open-access orders. Their access to wealth and status would not be guaranteed. Their relatives might not get rich. They might not keep power in a free and fair election. Political leaders in mixed-access polities might have life experiences that allow them to operate effectively in both closed-access and open-access orders. President Ashraf Ghani of Afghanistan, for instance, is a former World Bank official with a PhD from Columbia University and children who have graduated from elite universities in the United States. At the same time, however, he is a traditional Afghan leader whose position is, in part, attributable to his clan and ethnic identity. If President Ghani loses power, he can return to a comfortable position in the West. He cannot govern effectively without maintaining a clientilistic base of support within Afghanistan, but he can also access resources from the wider, open-access world.

Petrobras, the public oil company that is one of the largest enterprises in Brazil, has been wracked by a corruption scandal involving billions of dollars in private theft and payoffs to public officials. At the same time, corrupt officials from Brazil's public and private sectors are being pursued by Deltan Dallagnol, a thirty-five-year-old prosecutor with a degree from Harvard Law School, which shows that at least some officials in Brazil are interested in creating a more inclusive order.⁸

In countries that are poor and have never experienced the benefits of an open-access order, individual political leaders might adopt policies that provide public goods rather than private goods, for reasons that cannot be explained by their material interests or personal experiences. Without a doubt, some of the success that Botswana has experienced since its independence

In countries that are poor and have never experienced the benefits of an open-access order, individual political leaders might adopt policies that provide public goods rather than private goods, for reasons that cannot be explained by their material interests or personal experiences.



Rwanda's President Kagame made healthcare provisions one of his top governance priorities. Since the initiatives, Rwanda has seen some of the world's best health gains. While the country still has many problems, better healthcare provisions provides a greater level of human security and well-being in Rwanda. *Photo credit: Francois Terrier/Flickr*

in the 1960s is attributable to its first leader, Seretse Khama, who was committed to providing better services to his population rather than feathering his own nest. Paul Kagame, the President of Rwanda, has dramatically improved service provision, economic performance, and security within his country, despite Rwanda's history of extreme poverty and a horrific genocide. Nuhu Ribadu, who was educated entirely in Nigeria, pursued a vigorous anticorruption campaign as Chairman of Nigeria's Economic and Financial Crimes Commission, until he lost the support of the President in 2007. There are saints in this world, and sometimes they can make a difference.

However, even in mixed-access orders, political leaders are likely to want institutions that can keep them in power, or at least give them a soft landing. President Yoweri Museveni in Uganda has done much more for his country than his predecessor, Idi Amin, but he has not left office. Botswana has elections that international observers have judged to be free and fair, but the government has been controlled by the same party since independence. As noted above, Nuhu Ribadu was dismissed by President Olusegun Obasanjo of Nigeria.

Mixed-access polities have adopted the same ambitious template for the scope of government activities that exists in the advanced, industrialized democracies. In mixed-access polities, more public goods will be provided than is the case in closed-access orders. There are more opportunities for external actors to improve governance because, for whatever reason, there

are more individuals among the elite interested in the same objective. However, there is no guarantee that a mixed-access order will make the jump to the OECD world. Moreover, identifying mixed orders—and the individual members of the elite within them who could effectively support better governance and reforms that might eventually lead to consolidated democracy—is a daunting task, one that requires more intimate knowledge of polities than most US officials are likely to have.

Empirically, it is not hard to identify the OECD world. It comprises all members of the OECD, with the possible exceptions of Mexico, Greece, Turkey, and some former satellites of the Soviet Union in Central Europe. All of the countries in the OECD world are relatively rich. All are classified as full democracies by Freedom House or Polity IV,⁹ one standard qualitative measure of democracy. There are about thirty countries in the OECD world.

It is also easy to identify most of the countries in the closed-access, or exclusive, world. These polities are poor, with per-capita incomes below \$2,500. They are not fully liberal democracies, even if they have had episodes of democratic rule, such as one or two elections that were certified by international observers as free and fair. Civil society is not protected. Press freedom is constrained. Rulers are immune from the rule of law. Individuals can be arbitrarily prosecuted. In 2011, there were nearly sixty countries with per-capita incomes below \$2,500, and an additional thirty with incomes between \$2,501 and \$5,000. None of these countries, with the exception of Mongolia, were classified as full democracies by Polity IV scores. The closed-access, exclusive world is composed of almost all of these countries.

However, no structural criteria, like the level of per-capita income, can confidently establish the boundary between the world of closed-access polities and that of mixed-access polities, which are better governed and offer more opportunities for external actors. Consider a country such as Equatorial Guinea, where oil revenue has led to a per-capita income above \$15,000. More than 70 percent of its population lives in poverty, while the members of the ruling family own multiple residences in many attractive locales around the world. This is an obvious example of the fact that wealth alone does not an open-access order make. Even if we can classify a state as mixed, meaning there are consequential elites who would prefer an open-access order, this is no guarantee that the polity is on its way to the OECD world. Many good things have to come together (like an independent judiciary, legal control of security forces, secure property rights, a competitive electoral system, and a robust civil society) to create a stable equilibrium in which members of the elite have embraced a self-enforcing equilibrium that instantiates full democracy and a market-oriented economy. Individual pieces—one or two rational-legal bureaucracies in an otherwise corruption-ridden environment, effective communicable disease monitoring in a health ministry that cannot provide basic services, excellent tertiary-education institutions in an education ministry that fails to ensure literacy for most of the population—might provide building blocks for the leap to an open-access order, but they do not guarantee it.



Since the end of the Cold War, one of the failures of imagination of US foreign policy has been the implicit assumption that the OECD world is the natural order of things, and that autocratic (sometimes poorly governed or failed) states are aberrant. In fact, it is the OECD world that is the aberration. There have been open-access orders, from which most of the population benefitted, in only a small number of countries and for only about one hundred years. There have been simulacrum of open-access orders in the past, such as the Greek city-state system before Alexander's conquests and the northern Italian cities during the Renaissance. In these systems, arbitrary state power was checked and property rights were generally secure. Nevertheless, benefits in these orders were limited to a relatively small part of the population, and open-access polities were surrounded by larger and more powerful autocratic regimes, to which they ultimately succumbed. For most of human history, the state has been an instrument of repression for almost all individuals. Political elites have been interested in enriching themselves, enhancing their status, maintaining their power, and keeping the support of violence-wielding elites who might threaten their rule.¹⁰

Getting to the OECD world is very hard. An open-access, fully democratic polity with a market economy can only endure if many, many things are in place—most importantly, a set of institutions that constrain the arbitrary power of the state. These institutions must be self-enforcing; that is, all key members of the elite must understand themselves to be better off staying with the existing institutions than making a grab for power.

The implications for autocratic states, including the failed and weakly governed, are clear. Efforts by external actors to introduce reforms that would confidently put such a country on the path to consolidated democracy will be rejected. Attempts to create rational-legal bureaucracies will fail. Corruption cannot be eliminated. External state builders must be satisfied with, at best, “good enough” governance.

Good Enough Governance

Merilee Grindle, a faculty member at Harvard University's Kennedy School of Government, coined the term "good enough governance" in 2004. She argued that the good-governance agenda adopted by many of the major aid agencies—such as the World Bank, Department for International Development (DFID), United States Agency for International Development (USAID), United Nations Development Program (UNDP), and the International Monetary Fund (IMF)—was overly ambitious and failed to take into consideration the institutional contexts and needs of specific states. She pointed out that the number of items included in the good-governance agenda had grown indiscriminately.¹¹ The idea of good governance did not provide guidance for how governance issues should be addressed in specific contexts.

Grindle argued that governance interventions must be tailored to the conditions of the target state. The opportunities for improvement are, for instance, much more limited in fragile states than in those with more institutional capacity and legitimacy. Providing some measure of security should be a first-order priority.¹²

External actors can only be successful if their objectives are consistent with those of the national political elite. There are many opportunities in mixed polities where some members of the elite have an interest in expanding access to the rule of law, the right to organize, protection of property rights, and the free flow of information. In closed-access polities that are failed or weakly governed, there are few such opportunities. In such polities, the provision of security must be the first concern; some service provision may also be possible. In a closed-access polity that has security, there are limited opportunities for providing some additional services, and some opportunities for jobs and economic growth. The only changes that national political elites will accept, however, are ones that do not threaten their ability to stay in power.

Wilsonian aspirations have motivated some of the state-building efforts engaged in by the United States, the European Union, and some of its individual member states. However, these aspirations are profoundly misguided in rent-seeking polities, where the political elite's ability to remain in power depends on resisting, rather than facilitating, such external initiatives. Truly free and fair elections can remove elites from power; political elites who depend on rent-seeking will subvert such elections. Security forces constrained by the rule of law cannot act arbitrarily; rent-seeking political elites will sabotage such forces. Legally constrained bureaucracies limit



corruption; political elites, who must pay off their followers to stay in power, will resist the creation of such agencies.

Recognizing the limited opportunities for external state building in closed-access polities need not lead to despair. But it does mean that external actors must identify realistically achievable goals. More specifically, they must identify projects that will enhance, or at least not threaten, the core interests of national elites in closed-access orders. There are at least three areas in which the interests of external actors interested in promoting development and state building broadly understood, and rent-seeking elites in target countries, could be complementary: security that includes tolerance, if not full inclusion, for some potentially dissenting groups; the provision of some public services; and economic change, or simply job creation, that enhances, or at least does not threaten, the rent-seeking opportunities of indigenous elites.

Elements of Good Enough Governance

Security

The first goal of good enough governance must be to provide some level of security. Without a minimum level of security, economic growth and the provision of many services will be impossible. It is easier to move from a closed-access polity with no security to one with some security than it is to move to an open-access order that provides almost all of its citizens with security, access to the rule of law, the right to form organizations, and the protection of property rights.

The most straightforward cases are those involving the deployment of UN peacekeepers. Such deployments have substantially reduced the likelihood that a country will descend again into conflict.¹³ However, peacekeeping operations are expensive.

Security after peacekeepers depart, or where they were never deployed at all, poses even more serious challenges. A dominant group, even one that has been victorious in a civil war, is likely to fail if it relies on repression alone. Leaders of some refractory groups must be given some power. As Bruce Jones has argued, however, “open competition and full inclusion have potentially destabilizing effects.”¹⁴ The optimal strategy is “good enough inclusion.”¹⁵ External

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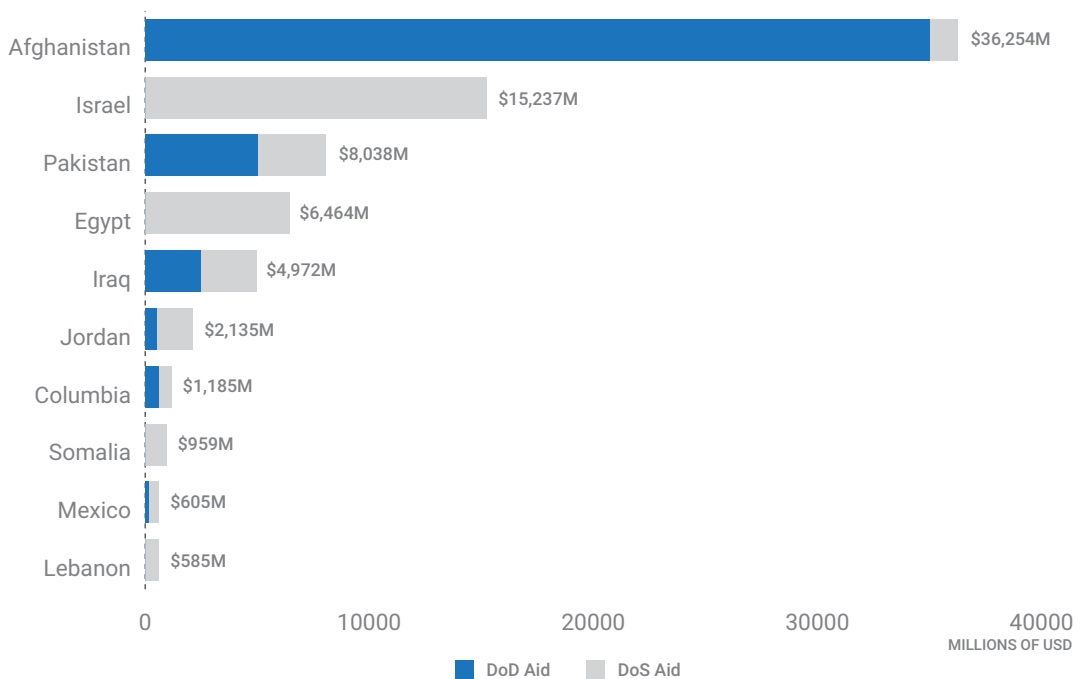
UN peacekeepers from Nepal arrive in Juba, South Sudan, as part of the UN Stabilization Mission in Haiti to help the military aspect of the UN Mission in South Sudan. They arrived to help quell a spike in violence in December from combatants in the country's governance struggle. *Photo credit: UN Photo/Isaac Billy*

actors can encourage good enough inclusion by combining policy advocacy with security assistance to the government, giving dissenting groups a stronger hand by: supporting their demands or backing civil-society groups; encouraging space for discussions of international legitimated principles, such as minority rights; and encouraging formal agreements among elites.

Security is an aspect of governance in which the interests of internal and external elites may be at least partially aligned, provided that external actors recognize that security forces will be used to sustain elite pacts and maintain order—and will not necessarily be constrained by international standards consistent with rule-of-law regimes in the OECD world, or internationally recognized human-rights protections. External actors can train local police, armed forces, and militias to fight more effectively. In an exclusive polity, however, they cannot train these forces to be dedicated to the well-being of the society as a whole. National elites will support programs that strengthen the capacity of local forces, provided that they are confident that these forces will serve their interests. Train-and-equip programs that enable national militaries to fight better may be welcomed. In closed-access polities, lectures to police about the rule of law, or to military officers about the importance of control by civilian officials accountable to the population as a whole, will either be rejected or simply regarded as quaint.

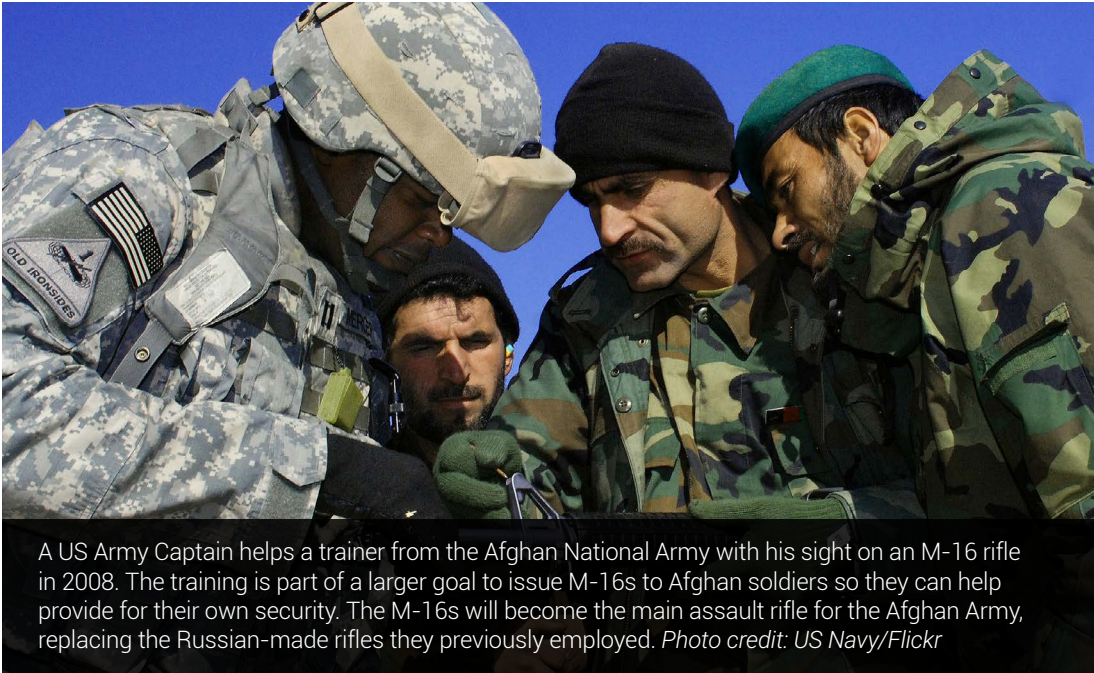


In rent-seeking or exclusive polities, there will be painful choices about how to improve security. Simply dumping large amounts of money into the security sector in a rent-seeking state may be useless, as would engaging in technical training designed to inform the military and police about logistics, training, tactics, and the law of armed conflict. In a posting on Lawfare, Richard Sokolsky and Gordon Adams pointed out that US military assistance in many countries has been ineffectual at best, and useless at worst.¹⁶ The following table (Table I) from their post shows the top ten recipients from US security assistance from 2011 to 2015.

Table I

Source: Security Assistance Monitor (securityassistance.org)

Afghanistan is still floundering. The Islamic State of Iraq and al-Sham (ISIS) captured large amounts of military equipment when the Iraqi army disintegrated. There is still no effective authority and security in Somalia. On the other hand, Israel remains a formidable military power and American ally in the Middle East. President Abdel Fattah el-Sisi of Egypt is governing in ways that are much closer to US interests than were the policies of his predecessor, Mohammed Morsi. Plan Colombia, which began in the 1990s, has been successful in restoring state authority and curbing drug trafficking.



Adams and Sokolsky argue: "Effective, efficient, accountable, uncorrupt governance, we think, is an essential prerequisite for security assistance that achieves U.S. policy goals and creates an accountable, effective security sector and military in recipient countries."¹⁷ This is a policy prescription entirely consistent with US values and aspirations for target countries, but it is beyond reach in many cases. The basic problem in badly governed autocratic states, failed or not, is that such governance is inconsistent with the core interests of political elites. Without the support of these elites, no assistance program can be successful. In the list of ten countries above, only Israel is an open-access order. Somalia is a failed state. Pakistan, Egypt, and Iraq are rent-seeking polities in which accountable, efficient, and uncorrupt governance would be inconsistent with the fundamental political interests of elites. Security assistance to such countries, if carefully crafted to align with the interests of political elites, may produce more security, but this security can only be provided if it is accepted that governance will be problematic. Under President Hamid Karzai, Afghanistan suffered from gross corruption; under Ghani, things might be better. In contrast, Colombia has been a mixed-access polity in which at least some members of the elite, including former President Alvaro Uribe, had an interest in introducing more accountable governance and in improving the security forces' performance and conformity with international standards, not just ensuring their own ability to stay in office. In Iraq, the military into which so many American resources had been poured during the premiership of Nouri al-Maliki would never fight to defend Sunni areas from ISIS.



Without local elites committed to a more inclusive political order, external actors must realize that they confront tradeoffs. They cannot secure better governance and more security at the same time. They have to craft their security assistance toward objectives that are attainable. They must make a choice among bad options, and that choice should privilege security. In closed-access orders, the best possible outcome is an authority structure that can maintain security over all of the territory within a state's boundaries, even if the security forces sometimes act arbitrarily.

This first-best outcome, however, may not be possible. Decentralization or warlordism are second-best alternatives. If central authority structures have disintegrated and cannot be reconstructed, it may not be possible to achieve enough inclusion at the national level. National leaders who are deeply distrusted by some parts of their own population will not be willing to include members of disaffected groups in their security services, but without the participation of such groups, the military and police will not be able to maintain order in some parts of the country. Leaders who can exercise control over some parts of a country's territory, but not others, may be the best-available option. Subnational leaders will have varying levels of commitment to better governance within the territories that they control. For example, the leadership in the Kurdish area of Iraq has been more committed to providing collective goods than most of the warlords of Afghanistan, but the Barzani and Talibani families control political power and most economic activities.¹⁸ Even if subnational leaders are committed to good governance within their own areas of authority, they will be indifferent to the provision of public goods in other parts of the country. They can consolidate their followership within their own territory through some combination of material payoffs, ascriptive ties, and charisma.¹⁹

For external actors, supporting warlords is the worst possible option other than anarchy, but there might be no better choice. Warlords may provide security, or at least significantly reduce violence, within their own territories. But they will use power arbitrarily, especially against those who do not support them. They are likely to impose levies, especially on transportation, that will weaken national economic integration. They are unlikely to pay attention to norms related to good governance or individual rights.

Moreover, warlords may find it difficult to agree on a balance of power that limits conflict between them. They have no mechanism that allows them to make credible commitments

If central authority structures have disintegrated and cannot be reconstructed, it may not be possible to achieve enough inclusion at the national level.

to each other. In some cases, such as the Kurdish areas of Iraq, it may be clear to all parties that attacks on rivals would be futile. In other cases, however, warlords may be unsure of the strength of their opponents, or even their own strength. Civil war may be the only way to reveal relative power.

External actors might be able to limit conflict between warlords, but this is a daunting task. Maintaining peace among warlords also requires an intimate understanding of local conditions, a level of understanding that has eluded most external state builders. Success is most likely if external actors are in agreement with each other, and if warlords depend on these outsiders for economic and military resources.

Despite limited resources and information, however, security is a good that external actors can help provide, even in badly governed polities—or, at least, some parts of badly governed polities. Sullivan and Koch have collected data on all military interventions by major powers (the five permanent members of the UN Security Council) between 1946 and 2003. There were 126 military interventions (defined as a military action involving more than five hundred troops) during this time period. Their findings are summarized in the following table (Table II).²⁰

	ALL		STATE TARGET		NON-STATE TARGET	
	N	Successful	N	Successful	N	Successful
Maintain regime authority	34	74%	5	100%	29	69%
Remove foreign regime	12	92%	12	92%	n/a	
Policy change	16	25%	14	29%	2	0%
Acquire or defend territory	35	71%	28	71%	7	71%
Maintain empire	16	44%	n/a		16	44%
Protection and order	10	50%	2	50%	8	50%
All		63%		67%		59%

Test 1: Intervention Outcomes are independent of Political Objective type.

Pearson chi 2(5) = 19.9986, p = 0.001

Test 2: Intervention Outcomes are independent of Target type.

Pearson chi 2(1) = 0.8268, p = 0.363

In 100 percent of interventions with state targets, external actors were able to maintain state authority. In 50 percent of interventions with state targets, they were successful in achieving protection and order.

Recent developments in Egypt demonstrate the difficult tradeoffs with which external actors can be confronted. Hosni Mubarak, who had been President of Egypt for three decades, resigned in the face of popular pressure generated by the Arab Spring in February 2011. External actors, US officials not least among them, were enthusiastic about the prospects for



The creation of the polio vaccine helped keep many people, especially in developing countries, safe from contracting the disease. The widespread dissemination of the vaccination has reduced polio contraction to near-zero levels. The polio vaccine is another example of how a small improvement in healthcare can prevent larger problems. *Photo credit: Wikimedia Commons*

democracy. Democracy advocates in Tahrir Square, like an Egyptian employee of Google, got a lot of coverage in the American press. (That individual, Wael Ghonim, now lives in the San Francisco Bay Area.) In June 2012, Mubarak was sentenced to life in prison and Mohammed Morsi, an American-educated engineer, was elected in Egypt's first free and fair presidential election. A year later, Morsi was overthrown by the military. In June of 2014, Abdel Fatah el-Sisi, the commander of the Egyptian military, was elected president. Fewer than half of Egypt's eligible voters cast ballots, but more than 95 percent of those who did supported el-Sisi. In 2015, Mohammed Morsi was sentenced to death.

The United States froze foreign aid after the military coup, but refused to call it a coup because US law would have required that all aid be terminated. Saudi Arabia then became Egypt's main foreign backer. In 2015, the United States resumed military shipments and committed to continuing foreign aid, a decision justified by US national security. The United States and other external actors have resources—economic, military, and diplomatic—that can enhance the ability of a ruler to provide security. There is no guarantee that el-Sisi and the military will be able to provide security throughout the country. The Sinai, for instance, is not effectively controlled. However, after the threat the Muslim Brotherhood posed for the military, and the insecurity that Morsi's reign brought to much of the population, the current regime may be the one most likely to provide effective security. Moving Egypt confidently along the path to full democracy—including free and fair elections, professionalized legal-rational bureaucracies,



a robust civil society, civilian control of the military, and a free press—is a daunting task, one that is presently beyond the grasp of even the most well-endowed and well-intentioned external actors.

Better security now is not a guarantee of stability in the long run, especially if a regime cannot secure good enough inclusion, but there may be no better short- or medium-term options. Better security is the necessary condition for the better provision of some services and for economic growth. Higher levels of economic growth make the transition to intermediate, or even full, democracies more likely, but this is a long and unpredictable process. Even with security, some countries may make the jump to open-access orders, with high wealth and consolidated democracy. Others may stall out or deteriorate, with the wielders of violence unable to maintain order within their own territory.

Better Service Provision

Even in rent-seeking, closed-access polities, external actors can contribute to the improvement of some services. The key condition for success is that such activities do not compromise the ability of political elites to secure resources, especially resources that they need to pay off those that keep them in power.

Health is the most obvious example of a service whose provision has dramatically improved the condition of billions of people around the world, even those living in closed-access,



impoverished polities. Although many countries have remained mired in poverty, life expectancy has risen in almost all countries over the last thirty or more years—in some cases, dramatically. For Afghanistan, life expectancy increased from forty-one years in 1980 to sixty in 2013, for Angola from forty to fifty-two, for Bolivia from fifty-two to sixty-eight, and for Uganda from forty-nine to fifty-eight.²¹ Actions by international and transnational actors have contributed to these gains. Smallpox has been eliminated as a result of a campaign organized by the World Health Organization; the last case of smallpox occurred in Somalia in 1977. Immunization for other communicable diseases has increased. Polio cases, for instance, decreased from 350,000 in 1988 to 223 in 2012.²² However, even immunization programs can encounter resistance from local elites whose authority might be threatened by the acceptance of modern medical practices. In recent years, polio-immunization programs have been opposed by religious activists and others in Pakistan and northern Nigeria. In the fall of 2013, nearly seven million people worldwide were receiving antiretroviral treatment from the President's Emergency Plan for AIDS Relief (PEPFAR), a US government program initiated by the Bush administration.²³ The provision of simple oral-rehydration therapy has saved the lives of millions of children around the world. Many health interventions improve the lives of people and do not threaten the extractive opportunities of political elites. Political elites might even gain some support from health programs whose success may be attributed to government policy.

Economic Growth and Job Creation

Even where political elites use rent-seeking to pay off key supporters and repress independent organizations, external actors might be able to support some policies that would be consistent with economic growth, or at least with job creation. The overall record of foreign assistance is problematic. Some studies have found no relationship between foreign assistance and growth. Others found a negative relationship, and others a small positive one. There are arguments that suggest that aid impedes growth, because it breaks the relationship between rulers and citizens. If rulers get their resources from foreign actors, they will respond to the preferences of donors rather than their own citizens. Often, external donors will be most interested in the

Political rulers who are highly dependent on foreign assistance, directly or indirectly, might conclude that they are better off accepting some institutional and policy reforms that promote growth, rather than risk losing foreign assistance.

external policy compliance of recipient countries' leaders.²⁴ Even when donors are interested in promoting economic growth, they may support initiatives that are suboptimal, or even counterproductive, because they lack intimate knowledge of the local environment.²⁵ Other analysts, following the logic of modernization theory, have argued that aid can promote growth by providing capital or technology.²⁶

Despite skepticism about aid, some forms of assistance in some circumstances could contribute to economic growth, even in primitive, closed-access orders. Political rulers who are highly dependent on foreign assistance, directly or indirectly, might conclude that they are better off accepting some institutional and policy reforms that promote growth, rather than risk losing foreign assistance. There is some evidence that this has been the case in some post-conflict environments. Rulers in recipient countries have accepted policies and institutional changes that increased economic growth, in places where foreign assistance was a large part of the national budget, rents from natural resources were limited, direct foreign investment has been significant, or external actors did not have strategic or security interests (allowing donors to make credible threats to withdraw aid).²⁷ In 2005, to take one particularly dramatic example, the transitional government in Liberia accepted co-signing authority for external donors for key state agencies and parastatals because, in the face of crippling levels of corruption, donors had threatened to end their assistance unless they were given shared control over public expenditures. Post-conflict states, like Liberia after its civil war, are so dependent on foreign aid that external actors may be able to encourage some institutional reforms. Such reforms are unlikely to be transformative, but they can make a positive contribution to opportunities for economic growth.²⁸

The opportunities for external actors to encourage economic growth are not limited to states that depend on such actors for a substantial part of their government budgets, that lack natural resources, and that are not strategically important (giving external actors a credible threat to exit). External actors could increase economic growth or job creation by adopting policies that would allow actors in such states to more fully participate in the global market by, for instance, reducing tariffs or guaranteeing foreign investments. Such opportunities might be acceptable to political elites in target states, because they increase extractive opportunities, as well as economic payoffs, at least for some. Global market-opening policies would be most effective if they were not burdened by political conditionality.

Extractive elites might be willing to accept economic growth resulting from some outsourcing of governance to transnational or international actors, if it provided them with some economic payoffs. Bilateral investment treaties (BITs) offer the most prominent example. These treaties provide for dispute settlement by international arbitration panels, whose decisions can be enforced in third-party courts. Participation in a BIT between wealthy and poor states increases international investment.²⁹ Higher levels of investment could increase economic growth. Higher levels of investment might also provide opportunities for rent-seeking elites to pay off their



own followers. The large number of BITs that have been signed—more than 2,700 since 1959—suggests that this particular form of outsourcing is not threatening, at least for elites.³⁰

In limited-access polities, the opportunities for external actors are limited. At best, they can aim for good enough governance, in which there is reasonable security, some service provision, and some opportunities for economic growth. Ruling elites in such polities will not, however, accept democracy, accountability to a broad cross-section of the public, or rational-legal bureaucracies. Such measures would directly threaten their ability to stay in power. External actors must identify policies that have good enough inclusion, not aim for full inclusion.

Conclusion

Over the long term, good enough governance might, or might not, alter the incentives of elites in ways that would make them more amenable to supporting changes that would embed their polities in a new equilibrium: an open-access order that would be confidently defended by at least a minimum coalition of national elites. The most confident assumption that can be made about the behavior of elites is that they will always be self-interested, not altruistic. That said, changing material, security, and political conditions could alter the incentives of elites enough so that their first-best option would be to depend on an open-access order, or at least some aspects of such an order. There may be saints in this world, exceptional leaders who are willing to put their own material interests and security at risk for the greater good, but foreign policies designed to support better governance cannot be premised on such an optimistic assumption. No matter what external actors do, there is no guarantee that the incentives of national elites would change enough to make them prefer inclusive, rather than exclusive, orders. In the future, as in the past, historical contingency, random events, unpredictable accidents, malevolent leaders like Joseph Stalin or Robert Mugabe, or benevolent ones like George Washington or Paul Kagame, will be critical determinants of the trajectories along which different polities might move. History can be understood ex-post, but not ex-ante.

In general, initiatives to encourage economic growth would be the most promising initiatives that could be taken by external actors trying to encourage movement toward a world of consolidated, democratic states. Greater prosperity does not guarantee consolidated democracy, but it does make it more likely. Growth requires some reasonable level of public order. This level of order would initially have to be provided by rule by law—not rule of law—and by security forces beholden to self-serving political elites. In polities where there is some tolerable degree of security, advanced democracies might consider unilaterally opening their markets, especially to manufactured goods produced by low-cost labor. They should support NGOs that might circumvent state bureaucracies. They should encourage bilateral investment treaties that include third-party enforcement of contracts. Ideally, OECD countries should robustly enforce their own foreign-corrupt-practices acts, although this might be counterproductive in polities where China offers substantial aid. In trying to improve conditions in autocratic regimes, whether failed or not, it will be necessary to put aside aspirations for democracy, for rule of law, and for efficient and rational bureaucracies. External actors must focus on more modest objectives where there is some complementarity between their preferences and those of national elites.



In presenting such policies to their own publics, leaders in the OECD world should emphasize, first, the importance of the national security of their own countries and, second, the benefits that citizens of target countries would gain from a situation in which these citizens have more security, better job prospects, and some improvement in service delivery. This is not an ideal situation, but the ideal situation of open-access, peaceful, well-functioning polities is not attainable in the short and medium run in many countries that are likely to be of the most security concern for leaders in the OECD world.

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"I expect that this Atlantic Council Strategy Paper, the third in an already impressive series, will add to the discussion about America's role in the world, especially as it relates to the development of other states."

– James B. Cunningham, former US Ambassador to Afghanistan

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